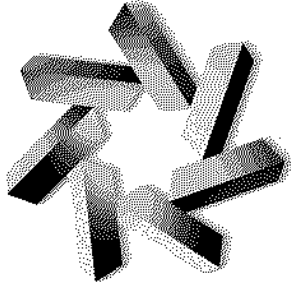


ST BARBARA MINES LIMITED

ACN 009 165 066



ASX SHAREHOLDERS REPORT

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*Dollar values in this report are
Australian dollars unless
otherwise stated.*

Annual Report 2003

Attached is the Company's Annual Report for 2003.

Alan Rule
Company Secretary

27 October 2003



ST BARBARA MINES LIMITED

2003

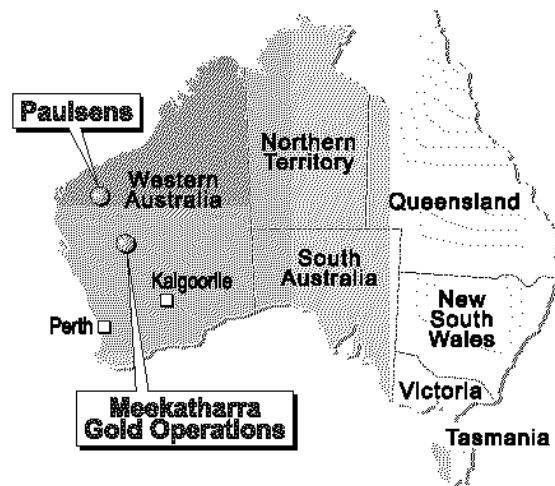
Annual Report
to Shareholders

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CORPORATE PROFILE

St Barbara Mines Limited is listed on both the Australian Stock Exchange and the AIM (London Stock Exchange) with over 12,000 shareholders.



The Company is the 100 percent owner and operator of the Meekatharra gold operations in the Murchison gold field of Western Australia. Production has averaged 100,000 ounces per annum for the last two years. The company has no gold hedge positions.

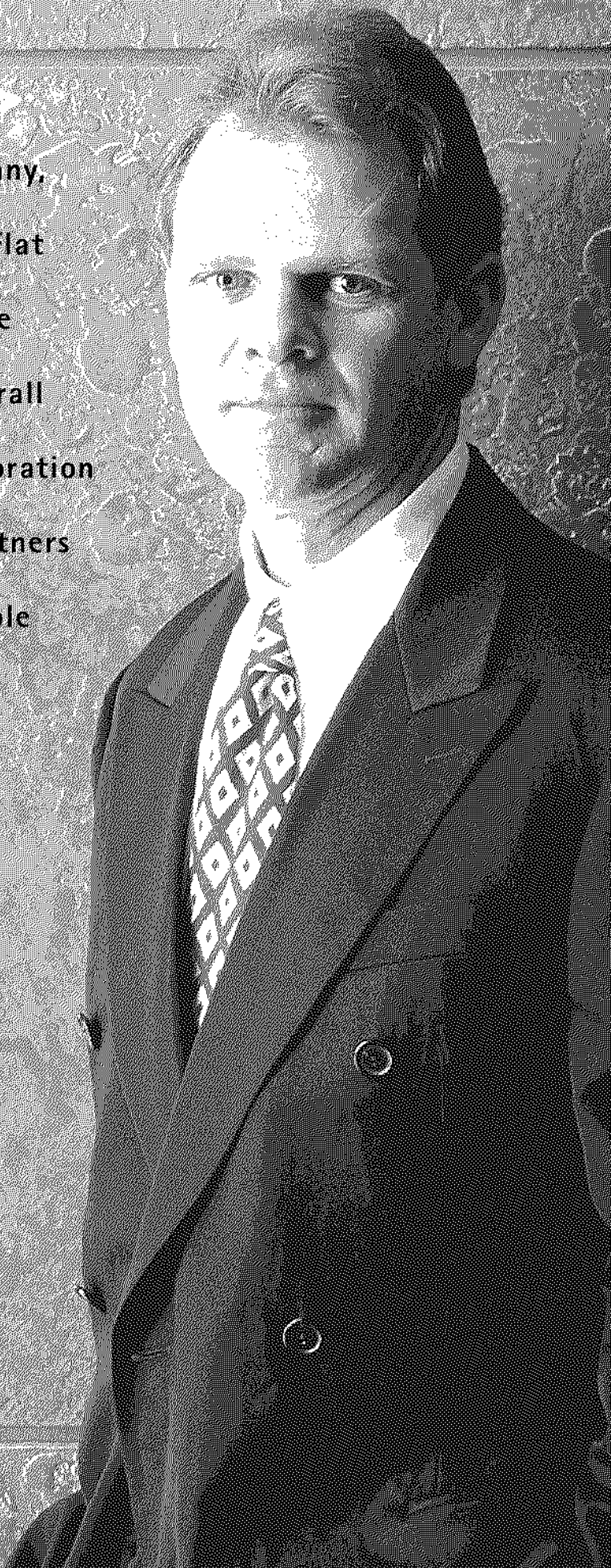
Development plans for the high grade underground orebodies at Paddys Flat (Meekatharra) and at Paulsens (Ashburton) continue to be advanced.

The Company objective is to be a 500,000 ounce producer.

Dollar values in this report are Australian Dollars unless otherwise stated.

"In a difficult year for the Company, the positives include the Paddys Flat acquisition, a preliminary resource at Mulla Mulla, a 19 percent overall increase in resource ounces, exploration expenditures by joint venture partners exceeded \$1.25 million, sustainable profitable operations by year end and an unhedged position in an improving market."

Stephen Miller
Executive Chairman



Executive Chairman's Review

Financial year 2003 can only be described as difficult and disappointing for the Company, Directors, management, shareholders and stakeholders alike.

Financial year 2003 can only be described as difficult and disappointing for the Company, Directors, management, shareholders and stakeholders alike.

The financial result was dominated by continuing difficulties at the two underground mines, Great Northern Highway and Gibraltar. Difficult ground conditions persisted and ultimately necessitated significant changes to the mining method. Additional roof support and cable bolting were introduced and substantial strategic pillars were left as permanent support, sterilising ore reserves. Continued ground movements threatened the integrity of both underground ramps and ultimately lead to early closure decisions. Write-downs totalling \$10.1 million were recorded in the accounts.

The financial impact curtailed progress on the Paulsens development and on exploration of the large Meekatharra landbank. With a weakened balance sheet, and the substantial initial capital required to develop Paulsens as a large open cut, debt financing was not available at acceptable cost.

The 130,000 metre aircore programme around the Norie Pluton at Meekatharra is fifty percent complete, with our knowledge of the prospectivity significantly advanced. Follow-up RC drilling has resulted in a preliminary inferred resource of 65,000 ounces at Mulla Mulla.

The strategy to capture higher valuations accorded in the North American gold market and, to access deeper financial markets, was announced in January 2003. The strategy formed an integral component of my pledge in last year's Annual Report to grow the business to a sustainable 500,000 ounces per annum. The agreed merger of three companies to form a business with initial production in excess of 300,000 ounces per annum was revised in April 2003 due to an unusual gold equities market. This limited the magnitude of the parallel capital raise which in turn threatened the listing on the Toronto Stock Exchange.

This series of events in the first nine months of the year tested the loyalty of many of our shareholders.

Importantly, the operations at Meekatharra have achieved sustainable production for the last six months based on the low grade stockpiles acquired with the Paddys Flat tenements late January 2003. Unit costs through the year fell by 35 percent contributing to improved net cash costs, \$416 per ounce in the June 2003 quarter (vs \$541 per ounce in the December 2002 quarter) and improved net operating costs, \$433 per ounce (vs \$743 per ounce).

Planning for the development of the higher grade Paddys Flat underground orebodies is advanced. A recent hole at Prohibition extended two known shoots (4 metres at 4.9 g/t and 6 metres at 7.5 g/t) and indicates the presence of an additional shoot (6 metres at 8.1 g/t).

Paulsens Project has been totally re-engineered. The capital intensive large open pit has been superseded by a smaller tonnage, higher grade shallow underground mine. The capital required to first gold pour has been reduced from an estimated \$40 million to a more achievable \$13 million. Maximum negative cash flow has also been reduced from \$58 million to \$14 million.

Gold Fields completed 475 drill holes (28,300 metres) in a four month period on the Tough Go and Turn-of-the-Tide mineralised line within the Reedys area. Whilst they advised of their withdrawal from the joint venture effective November 2003, having spent \$760,000 for no interest, they significantly advanced a number of targets which our Company will prioritise.

Post year end, \$5 million of short term debt was repaid and a proposal will be put to shareholders at the annual general meeting for the remaining secured debt of \$7.3 million to be extinguished in a debt for equity swap.

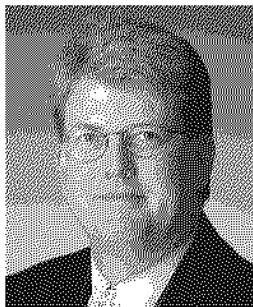
In summary, whilst we continue to pursue the North American strategy, our focus on managing and growing our existing asset base remains paramount.



Stephen W. Miller
Executive Chairman

30 September 2003

Financial Review



"The loss included \$9.9 million due to accounting policy changes and \$18.4 million non-cash charges included accelerated write-down of underground operations."

Alan Rule - Chief Financial Officer

Financial Statement

Gold revenue from operations at \$56.1 million was \$1.6 million higher than the previous year, consequent upon a higher realised gold price of \$572 per ounce (2002 - \$515 per ounce) offset by lower gold sales of 98,080 ounces (2002 - 105,844 oz).

Gold was delivered into remaining hedge contracts (33,124 oz at a net realised weighted average \$579 per ounce) and the balance into spot achieving an overall average of \$572 per ounce, identical to the spot average for the year. There are no outstanding hedge contracts at the year end.

Other revenue, in the corresponding twelve month period, was dominated by the sale of the shareholding in Goldfields Limited for \$26.7 million, and a net profit of \$9.2 million.

Earnings before interest, tax, depreciation and amortisation of \$3.7 million was determined after state royalties (\$1.7 million) and before an accounting charge of \$9.9 million (\$4.4 million relating to prior year capitalised exploration expenditures) associated with reconciliation to Canadian GAAP to achieve alignment with proposed Toronto listed merger partner Defiance Mining Corporation.

Higher interest costs reflect an increase in Resource Capital Fund loan drawdown and associated extension fees.

Accelerated amortisation of underground mine development costs due to early closure and sterilisation of ore reserves recorded charges of \$10.1 million against Gibraltar and Great Northern Highway.

Cash Flow Statement

Available cash (net of security bonds) decreased to \$0.6 million.

Capital allocations included Great Northern Highway and Gibraltar underground mine development (\$3.9 million) and Mulla Mulla and regional exploration (\$1.9 million).

Additional security bonds (\$1.7 million) previously secured by guarantee were cash backed during the period.

Loan and finance repayments, principally the Taipan convertible note (\$7.4 million) was financed from cash and a further drawdown of the Resource Capital Fund loan.

Financial Position

Total shareholders' equity decreased by \$22.1 million, reflecting the change in accounting policy and accelerated amortisation of underground mine development.

Current assets include the investment in Dioro Exploration NL at cost (\$4.9 million). Working capital at year end was negative \$7.4 million.

Interest bearing debt at balance date was \$24.0 million. This comprises the fully drawn Resource Capital Fund \$12.0 million loan (10% interest per annum which was satisfied by the issue of shares), the Ocean Resource Capital Holdings convertible loan (\$7.3 million with accrued interest at a rate of 12% per annum or exchangeable into shares at 8 cents per share) and lease commitments.

Three placements of shares (\$7.24 million net of expenses) were made for working capital principally to UK institutions.

Simplified Statement of Financial Performance		
(\$'000)		
for the year ended 30 June	2003	2002
Gold revenue from operations	56,111	54,516
Other revenue	1,493	31,977
Earnings before interest, tax, depreciation and amortisation and change in accounting policy	3,717	16,112
Change in accounting policy	(9,897)	-
Earnings before interest, tax, depreciation and amortisation	(6,180)	16,112
Depreciation	(2,750)	(2,044)
Amortisation and write-down of mine development	(15,641)	(28,176)
Earning/ (loss) before interest and tax	(24,571)	(14,108)
Interest (expense)/income	(5,449)	(3,941)
Income tax expense	(2,965)	-
Outside equity interests	(252)	(155)
Net profit/(loss)	(32,733)	(17,894)

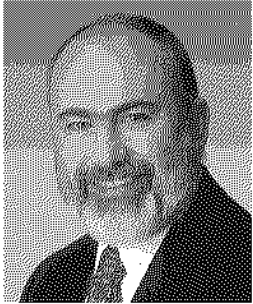
International Accounting Standards

A reconciliation of Australian Generally Accepted Accounting Principles to International Accounting Standards identified no material impact on net profit or net assets of the consolidated entity with respect to Accounting for Income Taxes and Accounting for Rehabilitation and Restoration Costs. Under IAS 39 "Financial Instruments Recognition and Measurement" there were no changes with respect to the classification of investments in securities, nor accounting for derivative instruments.

Simplified Cash Flow Statement		
(\$'000)		
for the year ended 30 June	2003	2002
Operating Activities		
Cash receipts	63,043	59,968
Payments – suppliers/employees	(63,256)	(81,280)
Other (net)	(341)	(1,709)
Net cash flow	(554)	(23,021)
Investing Activities		
Payments – exploration/evaluation/development	(13,050)	(10,558)
Payments – listed investments	(365)	(4,526)
Investment sold	-	26,736
Sale –property/plant/equipment (net)	777	2,551
Net cash flow	(12,638)	14,203
Financing Activities		
Loan and finance repayments	(2,263)	(14,295)
Repayment of convertible loan	(7,372)	-
Restricted cash (bonds)	(1,736)	-
Proceeds from borrowings	8,493	9,653
Issue of securities	7,635	19,088
Share buy-back	-	(1,066)
Net cash flow	4,757	13,380
Cash – beginning of period	9,032	4,470
Net change in cash	(8,435)	4,562
Cash – end of period	597	9,032

Simplified Statement of Financial Position		
(\$'000)		
As at 30 June 2003	2003	2002
Assets		
Current	19,164	24,384
Non-current	58,128	77,654
Total	77,292	102,038
Liabilities		
Current	26,610	29,868
Non-current	12,709	12,062
Total	39,319	41,930
Net assets	37,973	60,108
Share capital & reserves	129,493	118,643
Accumulated losses	(91,520)	(58,787)
Outside equity interests	-	252
Total shareholders' equity	37,973	60,108

Meekatharra Operations



"Sustainable production was achieved in the second half of the year, with treatment of the low grade Paddys Flat stockpiles reaching a throughput rate of 3 million tonnes per annum."

Paul Richardson - Operations Manager

Overview

Mining and processing activity underwent significant transition during the year. Three mines, Caledonian open pit, Great Northern Highway underground and Gibraltar underground were completed during the year, in September 2002, October 2002 and February 2003 respectively.

Stockpiled ore supplemented by various low grade stockpiles were processed during March 2003 after which activity was dominated by trucking and processing the large low grade stockpiles on the Paddys Flat tenements.

Mining

Caledonian (3rd phase) open pit was completed one month later than the original forecast, delivering a positive reconciliation against budget of 86,907 tonnes (up 22%) and 9,646 ounces (up 29%).

A proposal to further exploit Caledonian from underground was completed. Investment criteria return thresholds were not achieved.

Great Northern Highway underground mine ceased production on a month earlier than forecast following ground movement which threatened the integrity of the ramp. Resources (revised) remaining at the time of the closure were less than 1,500 ounces.

Gibraltar underground mine ceased production in February 2003. Records show a total of 371,201 tonnes was mined for 35,397 recovered ounces over a fifteen month life.

Although the operation achieved an annual rate of production of 505,000 tonnes in the September 2002 quarter, ground conditions were less than ideal. Operations were suspended for a total of 25 days in October 2002 whilst equipment monitored ongoing ground movement of a shear structure in the ramp access.

A modified mine design was introduced, stoping smaller high grade blocks with substantial strategic pillars left as permanent support. Several minor stope failures were recorded and cable bolting of ore drives and intersections was introduced as standard procedure. Persistent hanging wall movement continued.

The adverse impact of additional mine site direct costs (ground support and monitoring) and the higher effective unit capital cost due to the recovery of fewer ounces due to reserve sterilisation resulted in significant cash and accounting losses.

The North of Alliance (NOA) line of lode, 35 km from the treatment plant was evaluated. Resource-reserve drilling at NOA 7 & 8 was completed, with the results assessed in conjunction with the small but high grade NOA 2 deposit. Further evaluation was deferred following acquisitions of the Paddys Flat tenements which have greater overall potential and are closer to the treatment plant.

Trucking of Paddys Flat low grade southern (#1) stockpile material commenced in March 2003. A new road was established, via the old Magazine haul road, to allow triple and quadruple dog road trains to move 50 – 60,000 tonnes per week. Trucking from the larger central (#2) stockpile commenced in June 2003.

Treatment Plant

Mill throughput totalled 2.28 million tonnes, a 21 percent increase on the previous year. Ore was derived from the Caledonian open pit (12%), Great Northern Highway underground (2%), Gibraltar underground (11%) and the balance, low grade stockpiles.

Throughput reached a rate of 3.0 million tonnes per annum in the last quarter of the year, as Paddys Flat No. 1 and No. 2 stockpiles dominated the mill feed. The plant circuit flow sheet was optimised with the contract scats crusher taken out of the circuit and the secondary cone crusher bypassed.

Unit milling costs fell 35 per cent through the year to \$5.90 per tonne.

Capital expenditure during the year was minimal following significant expenditure in the previous year. No major capital expenditures, including tailings retention dams, are envisaged in the immediate future. Preliminary planning for the treatment of Paddys Flat underground ore may see a contract tertiary crusher replace the SAG mill.

Cost of Production

Mine site cash costs were significantly lower (by \$221 per ounce) than the previous year which included the establishment of the two underground mines.

The net operating cost, which includes an accounting adjustment to normalise development expenditure against the life of mine plan, at \$575 per ounce, was a 4 percent increase.

Production Forecast

Production for the first eight months of 2003/04 financial year will be dominated by the processing of Paddys Flat No. 2 and No. 3 low grade stockpiles at a throughput rate of approximately 3.0 million tonnes per annum to deliver 40,000 ounces. Evaluation of several small nearby shallow oxide pit possibilities continues.

The production schedule for the balance of the year includes Bluebird low grade stockpiles (0.46 Mt) and Batavia open pit (0.12 Mt) for an additional recovered 20,000 ounces.

Detailed evaluation of the higher grade underground Vivians, Consols, Prohibition and Mickey Doolan deposits at Paddys Flat is ongoing.

The priority is Prohibition where the orebody has reasonable width and is hosted in a competent banded iron formation. A decline development is planned to commence in January 2004, with the first ore deliveries early in 2004/05 financial year.

Production and Sales Statistics

Period 12 months to 30 June	2003	2002
Ore mined (tonnes)	483,041	1,386,084
Ore milled (tonnes)	2,284,599	1,888,829
Grade milled (g/t)	1.47	1.84
Recovery (%)	89.7	92.3
Gold produced (ounces)	96,611	103,246
Gold sold (ounces)	98,080	105,844

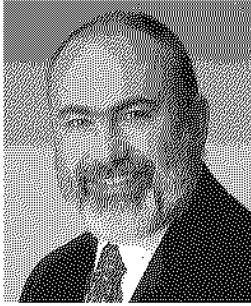
Production Cost Statement (\$/oz)

Period 12 months to 30 June	2003	2002
Mine site cash costs	448	669
State royalties	17	13
Net Cash Cost	465	682
Mine development capital cost amortisation	103	(127)
Inventory movements	7	2
Net Operating Cost	575	553
Realised Gold Price	572	515
<i>Spot Price Average</i>	<i>572</i>	<i>552</i>

St Barbara calculates cost of production using a modified Gold Institute Standard. The modification is designed to clearly identify the actual cash cost incurred, which is then normalised depending upon over or under development against the life-of-mine plan. The resultant 'net operating cost' per ounce is equivalent to the GI 'total cash cost' per ounce.



Paddys Flat Development



"Mineralisation of the main region extends over a strike length of 4 km, further extending dominance of the Murchison Greenstone Belt to 100 contiguous km plus."

Paul Richardson - Project Manager

The Paddys Flat tenements, located 15 km from the treatment plant, were effectively acquired from Barrick Gold on 31 January 2003.

The tenements comprise granted mining leases, and a series of open pit and underground workings, and a significant tonnage of low grade stockpiles. Mining activity ceased in 1994 after almost one hundred years. Mining ceased partly due to the previous owners' financial position and the need to significantly modify the treatment plant to handle the increasing tonnages of fresh rock. At the time, resources (pre-advent of the Joint Ore Reserves Committee Code) totaled 938,000 ounces.

Development Strategy

The development team immediately identified the higher grade areas of the near three million tonnes of low grade stockpiles, and completed planning and permitting documentation to allow trucking to commence. This occurred in February 2003 and in the first six months of operations a total of 1.44 million tonnes at an average grade of 0.9 g/t was profitably milled.

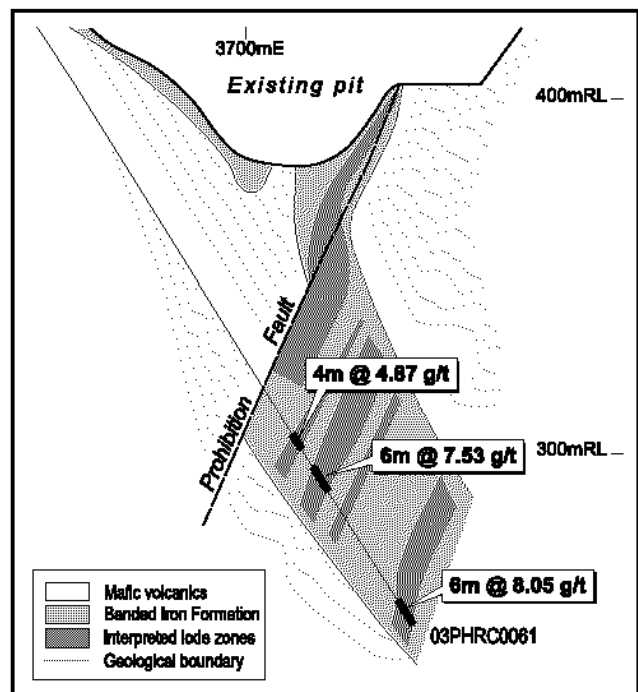
The development team then proceeded to assemble and review all existing data. The previous owner had commenced an exploration decline towards Vivians and Consols lodes, central to the Paddys Flat lodes, reaching 120 metres before mining ceased. The lodes, whilst high grade, tend to be complex with grade enrichment at spur vein intersections. An exploration drive was chosen over drilling to reach resource/reserve status. The lodes are immediately along-strike of Fenians Lode, which was mined to a depth of nearly 400 metres with reported production over one million tonnes grading 16.8 g/t.

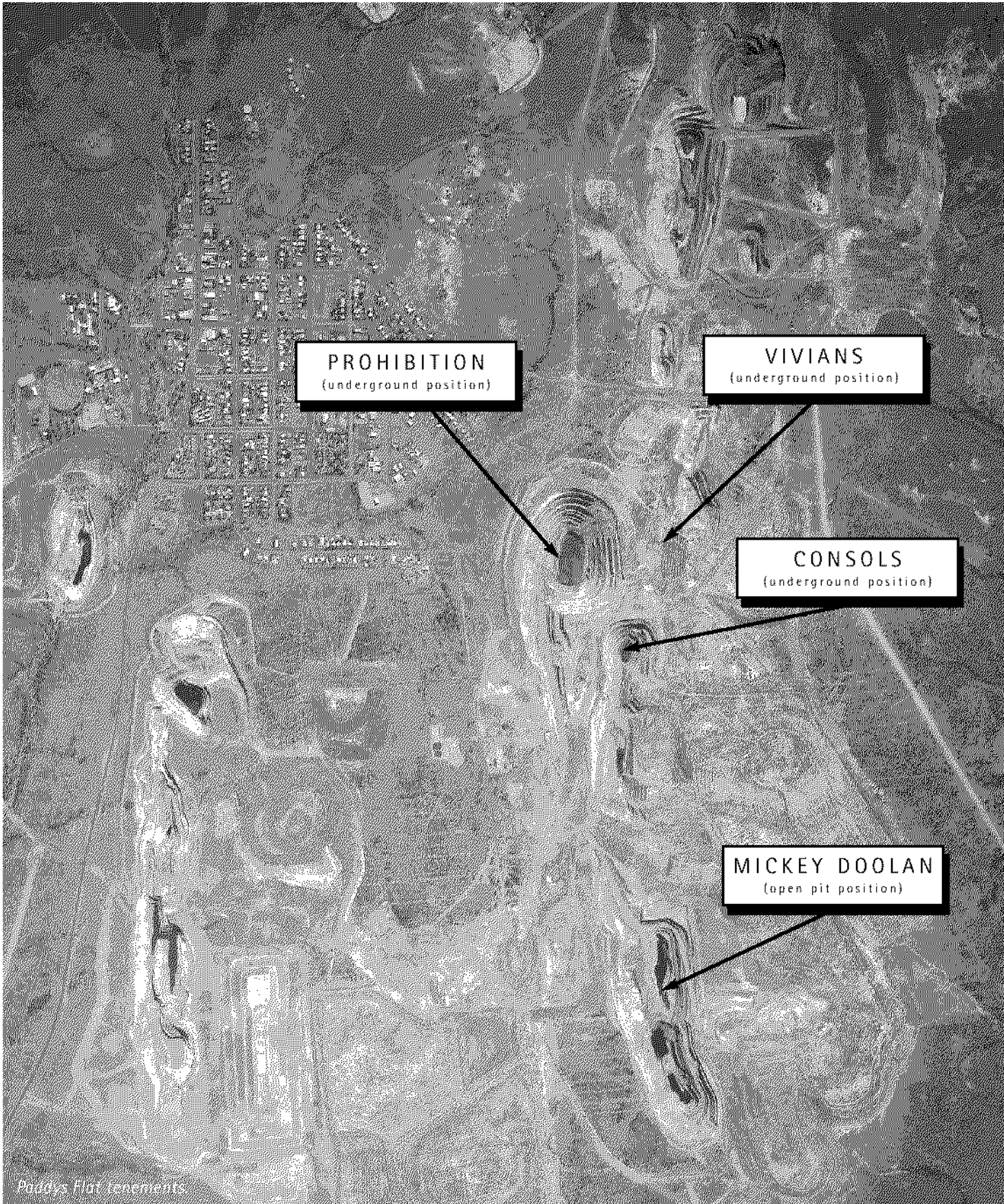
A detailed assessment was made as to the practicality and desirability of rehabilitating the decline and recommencing the original programme. After considerable review, a decision was taken to establish an underground mine to initially exploit the Prohibition resource. The advantage was the reduced risk of developing a mine in the more readily defined and competent banded iron formation host of the Prohibition orebody.

The current plan is to develop a 5 metre by 4.5 metre decline for an initial 2,100 metres to a vertical depth of 300 metres. The decline route is designed to intersect the upper levels of the Vivians orebody six months after commencement, followed by Prohibition, then Prohibition and Vivians concurrently and finally Consols. The mining rate is projected at 30,000 tonnes per month, recovering approximately 165,000 ounces over three years.

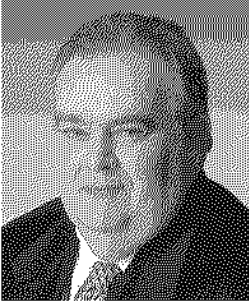
Current activity on Prohibition includes a three hole drill programme to provide geotechnical data and samples for metallurgical testwork to provide data for the design of a partial refractory flowsheet. The first hole indicated orebody depth extensions.

The overall schedule also incorporates the development of the lower grade but larger tonnage Mickey Doolan open pit position approximately three months after commencement of the Prohibition portal. A production rate of up to 60,000 tonnes per month is envisaged. Mickey Doolan ore is also partially refractory.





Paulsens Project



"The project has been re-assessed as a smaller tonnage higher grade underground mine"

Chris Davis - Project Manager

The Paulsens deposit is located 180 km west of Paraburdoo approximately 1,000 km north of Perth, in the Ashburton gold district of Western Australia. The deposit is covered by mining leases M08/099 and M08/196.

Paulsens is owned 100 percent by Taipan Resources NL, an 88.3 percent subsidiary of the Company. St Barbara has a 5 percent gross royalty over production, purchased last year from one of the earlier owners, Rio Tinto Exploration Pty Ltd.

During the year Native Title was signed with the Puutu Kuntj Kurrama and Pinikura Peoples.

The project as originally conceived, envisaged an initial large open pit with a waste to ore volume strip ratio of 16:1, followed by an underground mine. The relatively low technical risk was outweighed by the initial capital required to first gold pour and subsequent working capital required during the first two years of production to complete the waste removal programme before the project became cashflow positive.

As a consequence, the project has been re-assessed as a smaller tonnage, higher grade underground mine. Processing options include either toll milling or the use of a mobile contract crushing and processing plant which would be ideally suited to the lower throughput.

The overall outcome is a potential \$26 million reduction in initial capital and a project which achieves positive cashflow sixteen months earlier.

The mine design is based on an initial revised resource estimate of 675,000 tonnes at 15.7 g/t, using a 4 g/t cut-off. Whilst the conventional wireframe resource model correlates well with the Golder and Associates conditional simulation model, the resource under the prescribed JORC Code is only classified as inferred.

Accordingly, the development concept incorporates two drill programmes and the mining of a bulk sample. The objective of these programmes is to improve knowledge of the structural geology and spatial relationship of the high grade and confirm the mining method and key controls, including dilution, recovery and ground support.

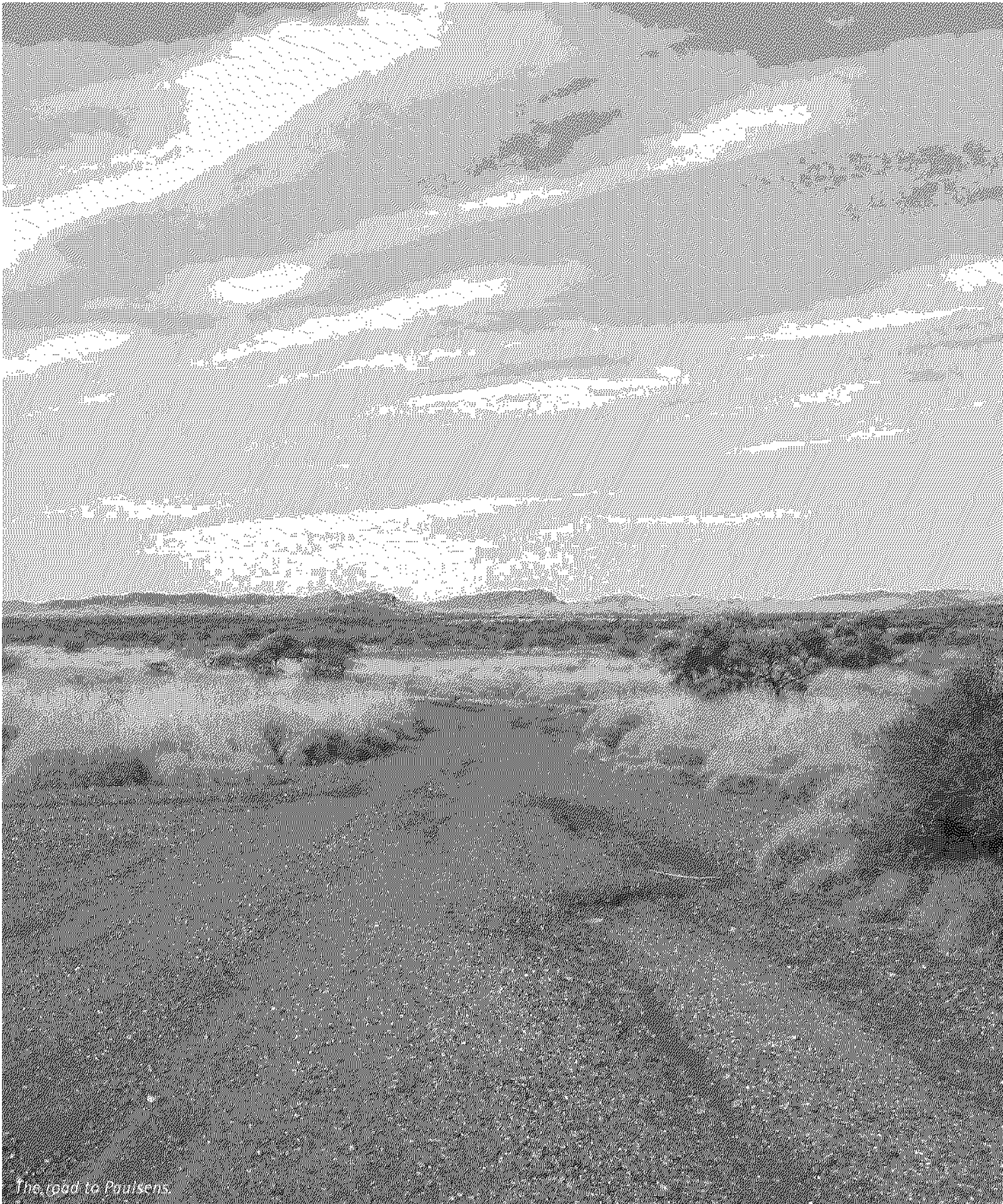
The first drill programme to commence immediately on project commitment is designed to confirm stope design for a bulk sample of approximately 50,000 tonnes from the upper zone and lower zone orebodies at approximately 100 to 125 metres below surface.

The second programme is designed to increase drill density between 200 and 300 metres below surface, where previous drilling was limited (22 holes) and scattered due to a low priority under the original open cut design. The programme is targeting an increase in ounces per vertical metre from less than the current 300 to approximately 2,100. This target estimate is based on the 2,880 ounces per vertical metre (143 drill holes) between 100 and 200 metres below surface, and factors in a slightly lower grade and a steepening orebody. The drill pattern, costed at \$1.4 million, would approximate 25 metres by 25 metres for stope design and elevate the resource from inferred to measured and indicated.

Decline development would commence three months after project commitment, and mining of the bulk sample nine months later.

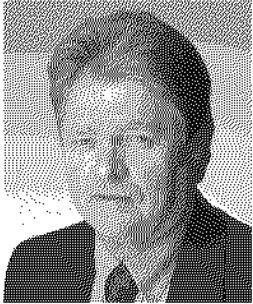
The bulk sample ore would be processed at a toll facility to determine metallurgical parameters for flow sheet design with the proceeds from the recovered gold estimated to offset nearly 50 percent of the costs incurred to this point.

Post this evaluation, mining would commence proper above 1,000mRL, which is 200 metres below the surface.



The road to Paulsens

Exploration



"Joint venture parties spent in excess of \$1.25 million on Company tenements in the Meekatharra district."

Graham Miller - Group Exploration Manager

Exploration expenditure totaled \$6.9 million, of which 51 percent was committed to the mine environs and the balance to Paulsens and the Ashburton district.

Exploration Programme

The year saw a continuation of the 130,000 metre aircore programme commenced in March 2002 to focus on a substantial area of transported alluvial covered terrain, approximately 30 km by 10 km, around a major granitoid intrusive known as Norie Pluton. Extensive cover had precluded prior systematic exploration of a highly prospective area just 15 km south of the treatment plant. The targets are million ounce orebodies similar to Paddys Flat (north of the project area) and Bluebird/South Junction.

A further 2,650 line km of high resolution airborne geophysical (magnetic and radiometric) data was acquired over the Norie Pluton domain regional area to assist in on-going targeting and assessment.

A systematic approach to target generation for the balance of the landbank outlined 40 additional targets with no or limited prior soil or RAB drilling. The targets range from conceptual to potentially advanced, (Bottle Dump North 400 metre plus strike of stratabound horizon included an intersection of 2 metres at 18.6 g/t from 7 metres).

Results

An additional 45 RC drillholes further tested the Eastern Trend of the Mulla Mulla transported alluvium covered target zone, where gold mineralisation is mainly contained in multiple northerly trending, steeply dipping zones of quartz-pyrite (limonite) veining at depths of 30 to 180 metres through felsic volcanics, which can be weathered to depths of 100 metres or more. There is also some potentially significant saprolite (upper oxide) zone, sub-horizontal mineralisation at a depth of 30-45 metres.

A total of seventy RC or RC/core holes (11,276 metres) has now tested this target on a 40 x 40 metre pattern, with 56 percent recording potentially significant intercepts, many of which are open in one or more directions.

Notwithstanding that approximately 15-20 additional holes will be necessary to completely test the target at 40 x 40 metres, an initial block model inferred resource estimate was determined at approximately 1.8 million tonnes at 1.2 g/t (66,000 oz).

Further RC drill testing is also planned for the 1,200 x 200-400 metre Western Trend of mineralisation at Mulla Mulla - where so far 18 RC have been completed.

The regional component of the aircore drill programme continued to assess the gold mineralisation potential of transported alluvium-covered terrain extending for approximately 20 km south of Mulla Mulla around the eastern margin of part of the Norie Pluton.

An additional 500 holes (31,400 metres) were drilled, taking the programme to approximately 50 percent complete. This work has advanced the 4 km x 500 metre Bluebush-Mingah target area, 20 km south of Mulla Mulla, towards RC drill testing status. It also identified a number of target zones in the 8 km of regional strike immediately south of Mulla Mulla, including Kanji and Miniritchie.

Outside the major programme a 40 hole (1,840 metre) aircore drilling programme was also carried out at Stakewell to further evaluate three sub-parallel, quartz vein systems up to 250 metres long to the east of the Kohinoor deposit, 40 km SSW of Bluebird. RC drill testing is planned.

Meekatharra District

Active exploration was conducted by three joint venture partners at Reedys, Chesterfield and Cue.

At Reedys, an agreement was executed in February 2003 with Gold Fields Australasia giving it right to farm into 206 sq km of tenements in the Reedys area.

In the four months to July 2003, a 475 hole (28,300 metre) RAB drilling programme to further assess the central 2 km of the known Tough Go mineralised area and the strike extensions of known mineralisation on the Turn-of-the-Tide mineralised line was completed. Expenditure exceeded \$760,000.

Although Gold Fields defined three sub-parallel, largely continuous 5-50 metres wide and up to 1,200 metres long, low-grade mineralised zones with potential to host a number of steeply plunging high grade shoots. They withdrew from the JV, effective 1 November 2003, because of the perceived limited size of the targets. No interest was earned.

St Barbara will now look at other options for advancing Tough Go, and also the 3 km plus long Reedys mineralised line, which has produced more than 500,000 ounces of gold (including 820,000 tonnes at an average grade of 12 g/t from underground). There has been very limited drill-testing to depths of more than 200 metres. Unclosed gold intercepts including 3 metres at 17.92 g/t, 4 metres at 12.99 g/t, 12 metres at 10.8 g/t and 20 metres at 3.85 g/t require further evaluation.

At Chesterfield, joint venture partner Independence Gold NL, earned a 51 percent interest by completing an expenditure commitment of \$500,000. Three RC drill programmes totaling 76 holes (5,153 metres) at Dorothy and Margueritta targets followed up previous high grade intersections with only limited encouragement to extend the current shallow high grade but small deposits. An agreement was reached post period whereby Aurex NL can earn a 60 percent interest.

At Cue, Cougar Metals NL earned a 49 percent interest by completing 11,000 metres of RC drilling which further assessed 22 quartz vein gold target areas, with encouragement for the discovery of small but high grade deposits.

Ashburton Exploration

The Company has an extensive (1,780 km²) tenement package in the Ashburton district, in which the potential to identify satellite ore feed for the Paulsens development is considered high.

One such potential satellite is Mt Clement, 35 km south of Paulsens. The previous owner's estimate of 818,000 tonnes at 2.7 g/t (71,000 oz) has been revised down to 554,000 tonnes at 2.3 g/t (41,000 oz). This is a non JORC compliant resource estimate due to technical shortcomings and the lack of documentation on previous drill programmes, some of which date back more than 20 years. The resource is estimated to a maximum depth of 100 metres, with most shallower than 50 metres.

A metallurgical testwork programme is required to determine overall gold recoveries as oxide mineralisation is thought to represent only 50 to 75 percent of the total. A 4,500 metre RC and core drill programme would be required to achieve JORC compliant status.

Interpretation of the second high resolution airborne geophysical survey – covering 75 km² of area underlain by calcareous stratigraphy at Miningee Bore, 45 km east-south-east of Paulsens and along regional strike from encouraging gold mineralisation reports by other explorers in the Cheela Plains area was completed. Follow-up geological mapping and soil sampling/RAB drilling of a number of resulting target areas is planned.

St Barbara commenced its earn-in commitment on the Pelican Resources Limited JV tenements south and east of Paulsens in late 2002. The Company can earn a 51 percent interest by spending \$600,000 over 3 years, with a minimum commitment of \$100,000 in the first year.

The tenements lie within a 40 x 5 km block along the southern flank of the Wyloo Dome, a major structural feature of the area, and are largely within a 200 km plus long and 15 km wide WNW-ESE trending structural corridor (the "Paraburdoo Hinge Zone") through the central and southern part of the Dome that contains Paulsens and numerous other gold and base metal occurrences, including "Carlin-Style" gold mineralisation being explored for by Newcrest to the east of the Pelican tenements and Sipa's Mt Olympus and Waugh gold deposits further east.

The work has so far comprised project scale and semi-regional geological mapping, with the aid of satellite imagery and aerial photography. The geochemical sampling work has concentrated on the Pipeline, Monster East and West de Courcy areas of E 08/853 and the Jeerinah-Fuschite-Three Corner Bore area of E 08/854 and its easterly strike continuation.

Additional target areas have been delineated on both lithological and structural criteria.

Resources

The total resource (measured, indicated and inferred) position comprises the 100 percent owned Meekatharra tenements and an attributable 88.3 percent of Paulsens.

The Meekatharra total resources (measured, indicated and inferred) have increased to 21.2 million tonnes at 2.12 g/t for 1.44 million ounces.

The 37 percent increase in contained ounces is predominantly influenced by the Paddys Flat tenements acquisition during the year with revised (post JORC compliant analysis and economic considerations) total resources of 562,300 ounces.

This addition, plus the new Mulla Mulla resource (65,000 oz) more than offset orebody depletion (Great Northern Highway, Caledonian and Gibraltar), a downgrade of NOA 7 and 8, and the elimination of a number of smaller deposits due to significance.

The Paulsens total resource (measured, indicated and inferred) has been revised from a 0.5 g/t cut-off (633,135 ounces) which was applicable for the original open-pit design, to a 1.0 g/t cut-off (576,752 ounces) applicable for the current underground design.

Overall, total resources have increased 19 percent to 1.92 million ounces.

Project Name	Measured (including resources modified to produce proven reserves)			Indicated (including resources modified to produce probable reserves)			Measured + Indicated			Inferred		
	Tonnes (‘000)	Grade g/t	oz	Tonnes (‘000)	Grade g/t	oz	Tonnes (‘000)	Grade g/t	oz	Tonnes (‘000)	Grade g/t	oz
Paddys Flat				2,505	2.7	217,300	2,505	2.7	217,300	6,357	1.7	345,000
Bluebird	151	3.1	15,000	4,729	1.5	225,400	4,880	1.5	240,400	3,875	1.5	184,100
NOA Line	1,002	3.3	107,600				1,002	3.3	107,600	216	5.4	37,500
Reedy Line	839	2.7	73,600	708	5.3	120,800	1,547	3.9	194,400	130	5.0	20,900
Reedy North Line										267	5.6	48,500
Stakewell				33	9.3	9,900	33	9.3	9,900	7	10.2	2,300
MEEKATHARRA TOTAL	1,992	3.1	196,200	7,975	2.2	573,400	9,967	2.4	769,600	10,852	1.8	638,300
Paulsens	1,103	5.2	182,900	2,334	4.4	328,700	3,437	4.6	511,700	532	3.8	65,700
COMPANY TOTAL¹	2,966	3.8	357,700	10,036	2.7	863,600	13,002	2.9	1,221,300	11,322	1.9	696,300

Notes:

Note 1 - includes 88.3 percent of Paulsens.

Disclosure

Information in this report relating to mineral resources or mineralisation conforms to the reporting requirements of the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves (The JORC Code). It is based on information compiled by Mr Graham Miller, FAusIMM, a Competent Person as defined by the Code. It is included in this report with his consent.

Occupational Health, Safety, Welfare and the Environment

Promoting and maintaining high standards of safe work practice, and a safe and healthy work environment are integral to the business.

Commitment

The Company is committed to the concept of sustainable development which requires economic growth to be balanced with good stewardship and the protection of human health and the environment.

Maintenance of a system of safe work practices, a pro-active approach to control and management of hazards, and the development and improvement of management and performance standards are integral to the approach.

Injury Frequency

There were two lost time injuries at Meekatharra Operations compared with eleven in the previous year. As a consequence, the lost time injury frequency rate improved significantly through the year. The average 16.6 (rolling twelve months) last year improved to 8.1 during the part of the year when the two underground mines were in operation and improved further to 4.7 when operations comprised trucking and processing of Paddys Flat stockpiles.

Occupational Health, Safety and Welfare

The focus on development and implementation of continuous improvement, by way of providing effective training for all employees, supervisors, managers and contractors in Risk Assessment, Hazard Identification, and Emergency Response Planning progressed.

Specifically, training undertaken included: accident and incident investigation, hazard identification, fitness for work awareness, site wide emergency evacuation, emergency response team-self contained breathing apparatus, emergency response – first responder, and occupational health and safety for supervisors.

Environmental Management

The Company recognises that gold mining operations should be developed and managed on the basis of sustainable criteria and must contribute to the benefit of all stakeholders.

Environmental management initiatives commenced or completed during the year included:

- on going implementation of a Site Waste Management Plan with the initial focus on waste grease disposal. One hundred and sixty drums were collected, redrummed and sent to the DEP Approved disposal facility at Port Hedland;
- development of environmental awareness, training requirements and implementation of self audits;
- continuing progressive rehabilitation at new mines with the target of completing all rehabilitation works within three months of a mine closure; and
- seeding in excess of 190 ha of mine disturbed land using local Meekatharra community groups.

Rehabilitation

Mine site rehabilitation objectives are directed towards ensuring that the physical structures that remain after mine closure do not impose a long term hazard to public safety or the environment and that the mined area achieves the nominated post mining land use. During the past year continued significant progress was made toward fulfilling these rehabilitation objectives. Work was undertaken across a range of sites which included rehabilitation earthworks programs, making safe historic mine workings, waste dump slope profiling, capping with topsoil/oxide material and deep ripping on contour. This program resulted in the rehabilitation of 162 hectares of mine disturbed land during the twelve months.

Drill site rehabilitation standards were also reviewed and are included in all new drilling contracts. Rehabilitation of drill holes resulted in a total of 2,554 holes capped.

Compliance Issues

One reportable incident occurred during the year, which resulted from the discharge of approximately 250 kilolitres of near potable quality mine water into an adjoining natural drainage system. No impact on the vegetation in the area of the discharge was expected, and no impact has been observed. In addition, three minor hydrocarbon spillage incidents were reported involving small volumes of diesel fuel or waste oil. Each of these incidents has been remediated by site personnel responsible for the areas concerned.

Corporate Governance

Practice and Disclosure

The Company supports the detail and sentiment reflected in the ASX Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations" release of March 2003.

The Company has adhered to these best practice guidelines for many years and will report against key performance indicators for the next reporting period.

Board of Directors

The Board is accountable to shareholders and responsible to other stakeholders, including employees and the community.

The Board comprises one executive and three non-executive Directors. Members have a balance and diversity of expertise and skills particular to the Company business. There is no nomination committee.

Directors are expected to participate in all Board meetings, unless prior permission has been granted for leave of absence.

The Board oversees the strategic direction of the Company, monitors management performance and ensures that sound practices are adopted.

It is responsible for the maintenance of high ethical standards and monitoring compliance with the Constitution, ASX Listing Rules, the Corporations Act 2001 and various Mining Acts. The Board regularly monitors operational, financial, occupational, health, safety and welfare, and environmental performance against budget and key performance indicators.

The Board supports a continuous improvement philosophy and seeks to identify areas for enhancement on an ongoing basis.

Board Remuneration

Non-executive Directors receive fees within the shareholder approved aggregate amount. Executive Directors do not receive fees.

The Remuneration Committee comprises two members, currently Mr G. B. Speechly and Mr K. A. Dundo who may seek external advice on market conditions as appropriate.

The Committee recommends on fees and remuneration for non executive Directors, the Executive Chairman, senior executives and all Company employees.

Shareholders

The Company aims to ensure that all shareholders are informed of major developments through regular shareholder communications. These include the annual report, ASX activities (quarterly) reports, ASX financial reports and ASX Continuous Disclosure reports detailing significant events. Appropriate documents are also lodged with AIM.

In addition, the Company website, www.stbarbara.com.au, has a self-registration email facility designed to give instant and equal access to all announcements made.

Shareholders are encouraged to exercise their right to vote, either by attending shareholder meetings or by lodging a proxy.

Audit Committee

The audit committee operates within terms of reference approved by the Board.

Members are appointed by the Board exclusively from the non-executive Directors, each of whom is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

At the date of this report, the audit committee comprises Mr K. A. Dundo and Mr H. G. Tuten.

Each member retires on the third anniversary of appointment, unless otherwise re-appointed to fill a casual vacancy.

Meetings shall be held not less than twice a year, attended by a representative of the external auditors, and executive directors by invitation to discuss and provide information relative to the agenda.

The Committee has direct and unrestricted access to management, employees and the Company's external auditors, and is authorised by the Board to obtain independent professional advice and to secure the services of external advisors.

In general, the function of the audit committee is to consider how the Board should apply the Company's financial reporting and internal control principles and maintain an appropriate relationship with the Company's auditors.

5 Year Summary

		2003	2002	2001	2000	1999
Financial Results						
Gold revenue	(\$'000)	56,111	54,516	71,217	38,534	37,386
Other income	(\$'000)	1,493	31,977	17,264	28,477	17,749
Amortisation & depreciation	(\$'000)	18,391	30,220	20,883	5,217	4,521
Consolidated profit/(loss) before tax	(\$'000)	(29,768)	(17,894)	7,650	2,377	6,725
Income tax (expense)/benefit	(\$'000)	(2,965)	-	1,704	1,260	-
Consolidated profit/(loss) after tax	(\$'000)	(32,733)	(17,894)	9,354	3,637	6,725
Balance Sheet						
Current assets	(\$'000)	19,164	24,384	36,211	17,795	29,460
Non-current assets	(\$'000)	58,128	77,654	56,831	47,511	35,020
Current liabilities	(\$'000)	26,610	29,868	26,467	16,263	19,519
Non-current liabilities	(\$'000)	12,708	12,062	8,870	2,696	2,251
Total shareholders' equity	(\$'000)	37,973	60,108	57,705	46,347	42,710
Shares on issue	('000)	415,553	319,758	216,507	209,770	209,770
Mine Statistics						
Ore mined	('000 t)	483	1,386	1,700	209	42
Ore milled	('000 t)	2,285	1,888	2,789	3,221	3,016
Head grade	(g/t)	1.47	1.84	1.80	0.93	0.90
Recovery	(%)	89.7	92.2	91.0	90.2	91.7
Gold produced	(oz)	96,611	103,217	147,063	86,798	80,260
Total production cost	(\$/oz)	575	553	371	321	298
Gold in reserves	('000 oz)	nil	208	372	372	502
Gold in resources	('000 oz)	1,917	1,610	1,466	2,002	2,508
Sales and Hedging						
Sales	(oz)	98,080	105,844	147,063	86,798	80,260
Realised gold price	(\$/oz)	572	515	497	443	456
Average spot gold price	(\$/oz)	572	554	504	451	449
Hedge position	(oz)	nil	4,221	100,000	123,200	55,000
Hedge weighted price	(\$/oz)	-	518	513	495	624
Hedge book value	(\$'000)	-	(176)	(2,450)	(590)	(58)
Expenditure						
Exploration	(\$'000)	3,496	3,381	4,350	1,900	2,491
Meekatharra operating capital	(\$'000)	135	5,914	2,000	800	298
Paulsens project	(\$'000)	4,599	7,177	-	-	-

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2003

DIRECTORS REPORT

Your Directors present their report on the consolidated entity consisting of St Barbara Mines Limited ("Company", "St Barbara" or "parent entity") and the entities it controlled ("consolidated entity") at the end of, or during, the financial year ended 30 June 2003 and the Audit Report thereon.

DIRECTORS

The names of Directors who held office during the financial year or up to the date of this report:

Stephen W. Miller (aged 43) - **Executive Chairman**
CA, BBus FAICD
Appointed Director on 12 March 1999

Mr Miller is a chartered accountant by profession with over twenty years' experience in the corporate and financial arena. Since 1992, Mr Miller has specialised in the mineral resources sector and has been executive director and founder of a number of resource companies, including Western Metals Limited, East Africa Gold Corporation and Hargraves Resources NL. Mr Miller is also chairman of Strata Mining Corporation Limited, St Barbara's major shareholder. Mr Miller brings valuable management, corporate and financing experience to the Board of St Barbara. Mr Miller is also executive chairman of Taipan Resources NL, a director of Defiance Mining Corporation and a board member of the Australian Gold Council.

G. Brian Speechly (aged 70) - **Non-Executive Director**
FAusIMM
Appointed Director on 9 July 1997
Member of Remuneration Committee

Mr Speechly is a consultant with over forty years of experience in the mining industry. He spent more than 24 years in technical and managerial roles with major international mining companies. For the past eighteen years, Mr Speechly has provided consulting services to a wide range of clients.

Over the course of his career, Mr Speechly has been involved in several hundred mining projects and is recognised in Australia and overseas as an expert in both underground and open cut mining and design, equipment selection and practical, workable, low cost mining methods. Mr Speechly is also a director of Centamin Egypt Limited.

Kevin A. Dundo (aged 51) - **Non-Executive Director**
LLB, B.Com, FCPA
Appointed Director on 26 March 2002
Chairman of Audit Committee and Remuneration Committee

Mr Dundo is a corporate lawyer and practices in the commercial and corporate areas and has considerable experience in the mining area and the financial services industry. Mr Dundo has played a major role in providing advice in the corporate law area to mining companies and is also a director of Taipan Resources NL, Defiance Mining Corporation and Midas Gold plc.

Henderson (Hank) G. Tuten (aged 55) - **Non-Executive Director**

B.A. (Econ)
Appointed Director on 26 March 2002
Member of the Audit Committee

Mr Tuten is actively involved in a consolidated entity of private equity funds as a founding partner. These are the Resource Capital Funds, the e-Century Capital Fund and the CIP Fund. He spent over fifteen years with the N.M. Rothschild and Sons consolidated entity. During that period, he was the chief executive officer of Rothschild Australia Limited, Rothschild North America Inc. and Continuation Investments N.V., the private equity vehicle for Rothschild Continuation Holdings A.G. consolidated entity. Prior to that, he was a commercial banker with the Philadelphia National Bank. Mr Tuten serves on several boards in connection with his investment activities. He graduated from the University of Virginia with a B.A. in Economics.

Mr James T. McClements was an alternate director to Mr H.G. Tuten from the beginning of the financial year until his resignation on 10 July 2003.

PRINCIPAL ACTIVITIES

The principal activities of St Barbara and entities controlled by it (collectively known as the consolidated entity) during the financial year ended 30 June 2003, were gold production, gold, oil and mineral exploration, pastoral activities, and investment.

RESULTS OF OPERATIONS

The consolidated operating loss after tax for the year ended 30 June 2003 attributable to members of the Company was \$32,733,000 (2002: \$17,894,000 loss).

The current year loss includes the impact of a change in accounting policy effective 1 July 2002 to write off a total of \$9,897,000 in current and previous exploration and evaluation expenditure. See Note 1(d) for further details.

Commentary on the operations and the results of those operations are set out below:

		12 months to 30 June 2003	12 months to 30 June 2002
Production and Sales Statistics			
Ore mined	tonnes	483,041	1,386,084
Ore milled	tonnes	2,284,599	1,888,829
Head grade	g/t	1.47	1.84
Recovery	%	89.7	92.2
Gold produced	ounces	96,611	103,217
Gold sold	ounces	98,080	105,844
Cash cost	\$/ounce	465	553

Mining activity at Meekatharra underwent significant transition during the year. Following completion of mining at Caledonian (September 2002), Great Northern Highway (October 2002) and Gibraltar (February 2003), the current focus has turned to evaluation of the underground potential of the Paddys Flat tenement area. Current mill feed is from low grade stockpiles at Paddys Flat.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2003

DIVIDENDS

The Directors do not recommend the payment of a dividend.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- On 8 July 2002, the Company listed on the Alternative Investment Market (AIM) of the London Stock Exchange.
- On 15 July 2002, the Company issued 774,588 options with an average exercise price of \$0.2122 and an expiry date of 15 July 2005 in satisfaction of the Resource Capital Fund II L.P. ("RCF") monthly facility fee.
- On 15 July 2002, the Company issued 1,406,614 fully paid ordinary shares at prices ranging from \$0.2125 to \$0.2263 in satisfaction of the RCF interest and standby fee.
- On 15 July 2002, the Company issued 1,846,628 fully paid ordinary shares to Grimwood Davies Pty Ltd at a price of \$0.2143 per share in satisfaction of drilling services provided.
- On 13 August 2002, the Company issued 800,408 options with an average exercise price of \$0.2122 and an expiry date of 13 August 2005 in satisfaction of the RCF monthly facility fee.
- On 21 August 2002, the Company issued 34,333,332 fully paid ordinary shares at \$0.165 per share to raise \$5.6 million (before issue expenses). In addition one listed option was issued for each new share issued. The options have an exercise price of \$0.30 per option and expire on 29 February 2004.
- On 6 September 2002, the Company issued 800,408 options with an average exercise price of \$0.2122 and an expiry date of 6 September 2005 in satisfaction of the RCF monthly facility fee.
- On 6 September 2002, the Company issued 5,000,000 options with an exercise price of \$0.30 and an expiry date of 29 February 2004 as a placement facility fee.
- On 8 October 2002, the Company announced that it had entered into an agreement to acquire the Paddys Flat mining area from a subsidiary of Barrick Gold for \$4.5 million plus a royalty of \$10 per ounce on production exceeding 50,000 ounces.
- On 2 December 2002, the Company announced that the convertible notes due on 30 November 2002 by Taipan Resources NL ("Taipan"), were redeemed in full on 29 November 2002. The redemption by Taipan was funded by an increase in the existing loan from the Company.
- On 9 January 2003, the Company announced a proposed business combination between the Company and Geomaque Explorations Ltd (which will include Midas Gold plc) to create a new growth oriented, international gold mining and exploration company to be named Defiance Mining Corporation and incorporated in Canada.
- On 31 January 2003, the Company issued 15,000,000 fully paid ordinary shares at a price of \$0.11 per share to raise \$1.65 million (before issue expenses) to assist in the acquisition of the Paddys Flat area of interest.
- On 31 January 2003 the Company made the first payment for \$1.4 million for the Paddys Flat acquisition.
- On 17 February 2003, the Company announced that it had signed a joint venture agreement with Gold Fields Australasia Pty Limited covering the Reedys area. Gold Fields Australasia Pty Limited can earn 51% interest by spending \$3.5 million over three years.
- On 17 February 2003, the Company issued 5,600,000 fully paid ordinary shares at \$0.11 per share in relation to the Paulsens native title agreement.
- On 20 February 2003, the Company issued 1,000,000 unlisted options with an exercise price of \$0.11 and an expiry date of 31 December 2005 to RCF in satisfaction of the corporate debt facility extension fee.
- On 27 February 2003, the Company announced that it had entered into two agreements with Ocean Resources Capital Holdings Limited ("Ocean") to raise \$8.4 million by way of the Company issuing \$2.8 million of unsecured convertible notes and \$5.6 million through an unsecured convertible loan. The funds raised will be used to fund the Paddys Flat acquisition and general working capital. The repayment date for the convertible notes and the convertible loan is 31 December 2007 and both facilities carry interest at 12%.
- On 28 February 2003, the Company announced that Mr Peter McIntyre had resigned as Chief Operating Officer with effect from 31 March 2003.
- On 3 April 2003, the Company announced a revision to the proposed business combination between the Company and Geomaque Explorations Ltd. The revised proposal will see a sequential, rather than concurrent process, with Geomaque Explorations Ltd acquiring Midas Gold plc to create Defiance Mining Corporation, followed, subject to agreement on merger terms, by the merger of the Company and Defiance Mining Corporation.
- On 27 June 2003, the Company announced the placement of 15,000,000 shares to a UK institution at a price of \$0.667 to raise a net \$1.0 million. In addition Ocean exercised early, at a price of \$0.13 per share, 15 million shares pursuant to the convertible note issued February 2003 (and convertible up to 31 December 2007). These shares were transferred by Ocean to the UK institution for no consideration. Shares allotted pursuant to this exercise were approved by shareholders at the 6 June 2003 General Meeting.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2003

LIKELY DEVELOPMENTS

In the opinion of the Directors, likely developments in the operations of the consolidated entity and the expected results of those operations, known at the dates of this report, have been covered in the Review of Operations and Events Subsequent to 30 June 2003 in this report. Likely developments which may prejudice the Company by disclosure have not been disclosed.

EVENTS SUBSEQUENT TO 30 JUNE 2003

Since 30 June 2003 the following has occurred:

- On 3 July 2003, the Company sold all of its 44,400,000 shares held in Dioro Exploration NL, receiving net proceeds of \$4,984,000 resulting in a profit on sale of \$93,000. As a result of the sale of the shares, the proceeds were used to reduce the debt facility with RCF by \$5 million.
- On 7 July 2003, the Company issued 15,910,922 fully paid ordinary shares at \$0.0374 per share to RCF in satisfaction of interest on the debt facility.
- On 7 July 2003, the Company issued the following options with an expiry date of 7 January 2007 to RCF in satisfaction of the monthly facility fee:
 - 5,834,004 options exercisable at \$0.2125;
 - 594,308 options exercisable at \$0.2086;
 - 2,918,376 options exercisable at \$0.2124; and
 - 17,430,243 options exercisable at \$0.1138.
- On 10 July 2003, the Company announced that the convertible note and convertible loan held by Ocean had been restructured effective 19 June 2003. Under the new arrangement, the existing convertible note and convertible loan are replaced with a convertible loan with a face value of \$7.2 million and a new conversion price of \$0.08 and repayable on 19 December 2005. The financial effect of this transaction has been brought to account at 30 June 2003.
- On 10 July 2003, the Company announced that Mr James McClements had resigned as alternate director to Mr Hank Tuten due to other work commitments.
- On 22 September 2003, the Company announced that RCF had agreed to convert its remaining debt (\$7.0 million) into equity at \$0.08 per share, thereby extinguishing all secured debt from the Company's balance sheet. The debt to equity swap by RCF, including a modification fee of 4.5 million shares, will result in the issue to RCF of 92 million shares at \$0.08 per share, taking its shareholding from 7.9% to approximately 23% of an enlarged capital base. The transaction is subject to shareholder approval at the Annual General Meeting. The transaction is also subject to RCF obtaining various approvals including the Foreign Investment Review Board. In addition, the Company will restructure the Board to consist of five Board members; to include two nominees of RCF and a new non-executive Chairman. Should this transaction be approved by shareholders at the Annual General

Meeting, the consolidated entity's current liabilities will reduce by \$7.0 million. Should the transaction not be approved by shareholders the \$7.0 million owing to RCF will be repayable on 30 November 2003.

- On 25 September 2003, the Company announced the placement of up to 12 million fully paid ordinary shares at \$0.08 per share for working capital to raise \$960,000 before expenses.
- On 30 September 2003, Taipan Resources NL ("Taipan") entered into an unsecured convertible note with Claymore Capital Pty Ltd for \$1.0 million. The note is convertible into fully paid ordinary shares of either the Company at \$0.08 per share or of Taipan at \$0.065 per share. The note is repayable on or before 30 September 2004 and bears interest at 13.5%.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

MEETINGS OF DIRECTORS

The meetings of the Company's Board of Directors and each Board committee held during the year ended 30 June 2003, and the numbers of meetings attended by each Director were:

	Board		Audit		Remuneration	
	A	B	A	B	A	B
S.W. Miller	6	6	*	*	*	*
G.B. Speechly	5	6	*	*	1	1
K.A. Dundo	6	6	3	3	1	1
H.G. Tuten	6	6	3	3	*	*

A = Number of meetings attended

B = Number of meetings held during the time that the Director held office or was a member of the committee during the year

* = Not a member of the relevant committee

In addition there were 28 circular resolutions approved by the Board during the year.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2003

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Particulars of Directors' interests and of persons connected with them (within the meaning of section 34b of the Corporations Act 2001) in shares of the Company as at the date of this report are as follows:

Directors	No. of Shares
S.W. Miller ⁽¹⁾	Nil
G.B. Speechly	20,000
K.A. Dundo	100,000
H.G. Tuten ⁽²⁾	Nil
Connected Persons:	
Strata Mining Corporation Limited ⁽³⁾	32,200,000
RCF ⁽³⁾	34,057,085

⁽¹⁾ Mr Miller is a Director of Strata Mining Corporation Limited

⁽²⁾ Mr Tuten is the Chairman of RCF Management L.L.C., the management company of RCF

Particulars of Directors' interests and of persons connected with them (within the meaning of section 34b of the Corporations Act 2001) in options of the Company as at the date of this report are as follows:

Directors	Date of Grant	Shares under option	Exercise Price	Expiry Date
S.W. Miller	23 December 1999	2,500,000	\$0.25	23 December 2004
	23 December 1999	2,500,000	\$0.35	23 December 2004
	23 December 1999	2,500,000	\$0.45	23 December 2004
	30 November 2001	10,000,000	\$0.40	31 December 2004
		<u>17,500,000</u>		
G.B. Speechly	30 November 2001	500,000	\$0.40	31 December 2004
K.A. Dundo	Nil	Nil	Nil	Nil
H.G. Tuten ⁽¹⁾	Nil	Nil	Nil	Nil
Connected Persons				
RCF ⁽¹⁾	12 February 2002	157,938	\$0.2125	7 February 2005
	5 March 2002	373,893	\$0.2125	5 March 2005
	2 April 2002	449,638	\$0.2125	2 April 2005
	17 May 2002	470,589	\$0.2125	20 May 2005
	17 May 2002	36,118	\$0.2086	20 May 2005
	4 June 2002	499,597	\$0.2125	3 June 2005
	4 June 2002	50,894	\$0.2086	3 June 2005
	4 June 2002	88,680	\$0.2124	3 June 2005
	15 July 2002	483,482	\$0.2125	15 July 2005
	15 July 2002	49,252	\$0.2086	15 July 2005
	15 July 2002	241,854	\$0.2124	15 July 2005
	13 August 2002	499,597	\$0.2125	13 August 2005
	13 August 2002	50,894	\$0.2086	13 August 2005
	13 August 2002	249,917	\$0.2124	13 August 2005
	6 September 2002	499,597	\$0.2125	6 September 2005
	6 September 2002	50,894	\$0.2086	6 September 2005
	6 September 2002	249,917	\$0.2124	6 September 2005
	15 October 2002	483,482	\$0.2125	15 October 2005
	15 October 2002	49,252	\$0.2086	15 October 2005
	15 October 2002	241,854	\$0.2124	15 October 2005
	20 February 2003	1,000,000	\$0.1100	31 December 2005
	7 January 2003	1,482,677	\$0.2125	7 July 2006
	7 January 2003	151,040	\$0.2086	7 July 2006
	7 January 2003	741,686	\$0.2124	7 July 2006
	7 January 2003	3,177,890	\$0.1138	7 July 2006
	7 July 2003	5,834,004	\$0.2125	7 January 2007
	7 July 2003	594,308	\$0.2086	7 January 2007
7 July 2003	2,918,376	\$0.2124	7 January 2007	
7 July 2003	17,430,243	\$0.1138	7 January 2007	
		<u>38,607,563</u>		

⁽¹⁾ Mr Tuten is the Chairman of RCF Management L.L.C., the management company of RCF

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2003

DIRECTORS' AND EXECUTIVES' EMOLUMENTS

Previously the Company has adopted a consultative approach to setting remuneration levels. This process involved the Board being regularly advised of industry remuneration standards through consultation with external agents and senior executives.

Currently, remuneration is based on industry standards and set to attract qualified and experienced directors and senior executives. Recommendations are made to the Board on salary levels, packaging options, employee benefits and conditions.

The Company formed a Remuneration Committee in April 2002 to consider recommendations regarding the overall remuneration structure, packaging strategies, remuneration policy and developed a formal performance based annual review system. This committee meets annually to review directors' fees, senior executive salary packages and salary ranges for the organisation.

Details of the nature and amount of each element of the emoluments of each director of St Barbara Mines Limited and each of the five most highly remunerated executive officers of the Company and the consolidated entity receiving the highest emoluments during the year ended 30 June 2003 are set out on the following tables:

Non-executive Directors of St Barbara Mines Limited:

	Directors' Fee \$	Superannuation \$	Total \$	Options Issued \$
G.B. Speechly	50,000	4,500	54,500	-
K.A. Dundo ⁽ⁱ⁾	94,320	8,488	102,808	-
H.G. Tuten	-	-	-	-

⁽ⁱ⁾ Mr Dundo's remuneration includes \$50,785 received from Taipan.

Executive Directors of St Barbara Mines Limited:

	Salary \$	Motor Vehicle \$	Superannuation \$	Other Benefits \$	Total \$	Options Issued \$
S.W. Miller	400,000	-	80,000	70,069	550,069	-

Other executives of St Barbara Mines Limited and group:

	Salary \$	Motor Vehicle \$	Superannuation \$	Retirement Benefits \$	Total \$	Options Issued \$
R.T. Calnan	169,000	5,883	62,600	-	237,483	-
C.W. Davis	145,391	5,194	21,809	-	172,394	-
P.T. McIntyre	154,596	20,504	33,006	165,506	373,612	-
P.J. Richardson	149,375	-	14,938	-	164,313	14,824 ⁽ⁱ⁾
A.D. Rule	190,000	-	28,500	-	218,500	27,796 ⁽ⁱ⁾

⁽ⁱ⁾ The fair value of options issued to executives during the year is estimated at \$0.037 per option. These options were issued on 17 January 2003 with an expiry date of 15 January 2008 and an exercise price of \$0.35 per share. This value has been calculated using a Black-Scholes option pricing model after considering the following factors, amongst others, the share price on grant date of \$0.12, expiry date of 17 January 2008, exercise price of \$0.35, the term of the option, a risk free interest rate of 5% and using share price volatility of 100%. This value has not been included in the Statement of Financial Performance.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2003

OPTIONS

Options over ordinary shares of the Company are as follows:

	As at 30 June 2003	As at the date of this report
Listed share options – see Note 20(b)	44,329,772	44,329,772
Unlisted share options – see Note 20(c)	44,905,632	71,682,563 ⁽¹⁾

⁽¹⁾ The following unlisted share options have been issued since the end of the financial year end as follows:

Recipient	Date of Options	Expiry Date	Exercise Price	Number of Options
RCF	7 July 2003	7 January 2007	\$0.2125	5,834,004
RCF	7 July 2003	7 January 2007	\$0.2086	594,308
RCF	7 July 2003	7 January 2007	\$0.2124	2,918,376
RCF	7 July 2003	7 January 2007	\$0.1138	17,430,243
				<u>26,776,931</u>

No options were exercised during or since the end of the financial year.

No options over unissued ordinary shares of the Company were granted during or since the end of the financial year to any of the Directors of the Company and the consolidated entity.

Options over unissued ordinary shares of the Company granted during or since the end of the financial year to the five most highly remunerated executive officers of the Company and the consolidated entity as part of their remuneration were as follows:

	Date Options Granted	Expiry Date	Exercise Price	Number of Options
A.D. Rule	17 January 2003	17 January 2008	\$0.35	750,000
P.J. Richardson	17 January 2003	17 January 2008	\$0.35	400,000

OFFICERS' INDEMNITIES AND INSURANCE

The Company has agreed to indemnify the following current directors and officers of the Company, Mr S. Miller, Mr B. Speechly, Mr K. Dundo, Mr H. Tuten and Mr A. Rule, against all liabilities to another person and the Company that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a wilful breach of duty. The agreement stipulates that the Company will meet the full amount of such liabilities including costs and expenses.

The Company has paid or agreed to pay a premium in respect of a contract insuring directors and officers of the Company. That contract of insurance prohibits the Company disclosing the nature of the liability insured against and the amount of the premium paid therefore.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Company remains committed to the concept of sustainable development which requires balancing the need for economic growth with good stewardship and the protection of human health and the environment.

Mine site rehabilitation objectives are directed towards ensuring that the physical structures that remain after mine

closure do not impose a long term hazard to public safety or the environment and that the mined area achieves the nominated post mining land use. During the past year continued significant progress was made toward fulfilling these rehabilitation objectives. Work was undertaken across a range of sites which included rehabilitation earthworks programmes, making safe historic mine workings, waste dump slope profiling, capping with topsoil/oxide material and deep ripping on contour. This programme resulted in the rehabilitation of 162 hectares of mine disturbed land during the twelve months.

Drill site rehabilitation standards were also reviewed and are included in all new drilling contracts. Rehabilitation of drill holes resulted in a total of 2,554 holes capped.

In addition to statutory monitoring requirements, regular self-audits were conducted throughout the year to monitor progress and to identify areas which required further management focus. One reportable incident occurred during the year, which resulted from the discharge of approximately 250 kilolitres of near potable quality mine water into an adjoining natural drainage system. No impact on the vegetation in the area of the discharge was expected, and no impact has been observed. In addition, three minor hydrocarbon spillage incidents were reported involving small volumes of diesel fuel or waste oil. Each of these incidents has been remediated by site personnel responsible for the areas concerned.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2003

ENVIRONMENTAL REGULATIONS AND PERFORMANCE *continued*

Environmental management initiatives commenced or completed during the year included:

- on going implementation of a Site Waste Management Plan with the initial focus on waste grease disposal. One hundred and sixty drums were collected, redrummed and sent to the DEP Approved disposal facility at Port Hedland;
- development of environmental awareness, training requirements and implementation of self audits;
- continuing progressive rehabilitation at new mines with the target of completing all rehabilitation works within three months of a mine closure; and
- seeding in excess of 190 hectares of mine disturbed land using local Meekatharra community groups.

OCCUPATIONAL, HEALTH, SAFETY AND WELFARE

This year Meekatharra Gold Operations reported two Lost Time Injuries for the twelve months to 30 June 2003, compared to eleven Lost Time Injuries sustained during the previous year. This significant improvement resulted in the reduction of the Lost Time Injury Frequency Rate from 16.6 (rolling twelve month average) down to 8.1, while underground mining was still being conducted and a further reduction to 4.7, by the end of June 2003.

Occupational Health and Safety training continued to focus on Risk Assessment, Hazard Identification and Emergency Response Planning.

Training undertaken included:

- Accident and Incident Investigation
- Hazard Identification
- Fitness for Work Awareness
- Site Wide Emergency Evacuation
- Emergency Response Team Self Contained Breathing Apparatus
- Emergency Response – First Responder
- OH & S for Supervisors

Further work continued to develop the Site Safety Management Plan and Site Hazard Register.

The workforce commitment to safety performance will focus on the continuous review and improvement of safety systems and awareness which will target the maintenance of the LTIFR at or below the industry average.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors.



STEPHEN W. MILLER
Executive Chairman

Dated at Perth this 30th day of September 2003

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2003

	Notes	Consolidated		Company	
		30 June	30 June	30 June	30 June
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
Revenue from sale of gold	3	56,111	54,516	56,111	54,516
Other revenues from outside operating activities	3	1,493	31,977	2,411	22,780
Total revenue from ordinary activities		57,604	86,493	58,522	77,296
Changes in inventories of finished goods		(999)	(278)	(999)	(278)
Raw materials and consumables used		(12,263)	(13,425)	(12,263)	(13,425)
Cost of investments sold		-	(17,506)	-	(11,960)
Cost of property, plant and equipment sold		(184)	(1,964)	(184)	(1,964)
Cost of tenements sold		-	(186)	-	(186)
Contract mining, cartage, milling, maintenance, labour and consultants		(22,195)	(19,744)	(22,195)	(19,744)
Tenement rent and rates		(1,110)	(1,224)	(1,110)	(1,224)
Royalty		(1,728)	(1,386)	(1,728)	(1,386)
Employee expenses		(8,626)	(10,788)	(8,576)	(10,650)
Exploration drilling and assay expenditure	1(d)	(1,803)	-	(1,319)	-
Exploration consultant expenditure	1(d)	(1,447)	-	(477)	-
Cumulative effect of exploration write off prior to 1 July 2002	1(d)	(4,422)	-	(750)	-
Shares issued for native title		(616)	-	-	-
AIM admission costs		-	(1,214)	-	(1,214)
Provision for diminution in investment in controlled entities		-	-	(4,081)	-
Other expenses from ordinary activities		(8,391)	(2,666)	(6,385)	(2,380)
Earnings/(loss) before interest, tax, depreciation and amortisation (EBITDA)		(6,180)	16,112	(1,545)	12,885
Amortisation of mining development expenses	4	(15,641)	(22,426)	(15,641)	(22,426)
Write down of mining development expenses	4	-	(5,750)	-	(5,750)
Depreciation and amortisation expenses	4	(2,750)	(2,044)	(2,706)	(1,884)
Earnings/(loss) before interest and tax (EBIT)		(24,571)	(14,108)	(19,892)	(17,175)
Borrowing costs	4	(5,449)	(3,941)	(5,078)	(3,272)
(Loss) from ordinary activities before income tax		(30,020)	(18,049)	(24,970)	(20,447)
Income tax expense	5	(2,965)	-	(2,965)	-
Net (loss) after income tax		(32,985)	(18,049)	(27,935)	(20,447)
Net (loss) attributable to outside equity interests		(252)	(155)	-	-
Net (loss) attributable to members of the Company	21	(32,733)	(17,894)	(27,935)	(20,447)
Total changes in equity attributable to members of the Company other than those resulting from transactions with owners as owners		(32,733)	(17,894)	(27,935)	(20,447)
Basic and diluted (loss) per share (cents per share)	35	(8.00)	(7.83)		

The above Statements of Financial Performance should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2003

	Notes	Consolidated		Company	
		30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
ASSETS					
Current assets					
Cash assets	6	597	9,032	595	9,031
Restricted cash	7	280	-	280	-
Receivables	8	3,688	3,287	3,688	2,939
Other financial assets	15	4,891	-	4,891	-
Inventories	9	4,264	5,151	4,264	5,151
Assets held for resale	10	4,194	5,409	4,094	5,229
Other	11	1,250	1,505	1,219	1,447
		19,164	24,384	19,031	23,797
Non-current assets					
Restricted cash	7	3,293	1,837	3,293	1,837
Receivables	8	-	-	18,240	6,229
Other financial assets	15	-	4,526	16,635	25,239
Property, plant and equipment	12	8,380	9,906	7,253	8,739
Other	11	83	232	83	232
Deferred tax assets	13	-	2,965	-	2,965
Mining properties	14	46,372	58,188	19,224	27,370
		58,128	77,654	64,728	72,611
Total Assets		77,292	102,038	83,759	96,408
LIABILITIES					
Current liabilities					
Payables	16	10,561	15,905	10,555	15,892
Interest bearing liabilities	17	15,151	12,926	15,151	5,857
Provisions	18	898	1,037	898	1,037
		26,610	29,868	26,604	22,786
Non-current liabilities					
Payables	16	-	-	11,484	11,513
Interest bearing liabilities	17	8,833	9,393	8,833	9,393
Provisions	18	3,876	2,669	3,876	2,669
		12,709	12,062	24,193	23,575
Total Liabilities		39,319	41,930	50,797	46,361
Net Assets		37,973	60,108	32,962	50,047
Equity					
Contributed equity	19	127,534	118,213	127,534	118,213
Option reserve	20(a)	1,959	430	1,959	430
Accumulated losses	21	(91,520)	(58,787)	(96,531)	(68,596)
Parent entity interest		37,973	59,856	32,962	50,047
Outside equity interest	22	-	252	-	-
Total Equity		37,973	60,108	32,962	50,047

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2003

	Notes	Consolidated		Company	
		30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
Cash Flows from Operating Activities					
Cash receipts in the course of operations (inclusive of goods and services tax)		63,043	59,968	62,802	59,968
Payments to suppliers and employees (inclusive of goods and services tax)		(63,256)	(81,280)	(63,268)	(80,221)
Other cash receipts		-	405	-	37
Interest received		292	124	292	123
Borrowing costs paid and gold lease fees		(68)	(1,842)	-	(1,842)
Finance charges - finance leases		(340)	(270)	(340)	(270)
- hire purchase agreements		(225)	(126)	(225)	(126)
Net cash flows (used in) operating activities	33	(554)	(23,021)	(739)	(22,331)
Cash Flows from Investing Activities					
Payments in respect of exploration, evaluation and development		(13,050)	(10,558)	(9,984)	(7,076)
Payments for property, plant and equipment		(205)	(1,749)	(205)	(1,749)
Cash received from investments sold		-	26,736	-	17,669
Payments for investment in listed securities		(365)	(4,526)	(365)	(4,526)
Net funds from controlled entities		-	-	(10,254)	4,894
Cash received from sale of property, plant and equipment		982	4,300	982	4,300
Net cash flows provided by / (used in) investing activities		(12,638)	14,203	(19,826)	13,512
Cash Flows from Financing Activities					
Principal repayments under secured loans		-	(12,700)	-	(12,700)
Repayment of convertible loan		(7,372)	-	-	-
Restricted cash		(1,736)	-	(1,736)	-
Share buy back		-	(1,066)	-	(1,066)
Proceeds from borrowings		8,493	9,653	8,493	9,653
Net proceeds from issue of securities		7,635	19,088	7,635	19,088
Principal repayments - finance leases		(1,204)	(1,078)	(1,204)	(1,078)
- hire purchase agreements		(1,059)	(517)	(1,059)	(517)
Net cash flows provided by financing activities		4,757	13,380	12,129	13,380
Net increase / (decrease) in cash		(8,435)	4,562	(8,436)	4,561
Cash at the beginning of the financial year		9,032	4,470	9,031	4,470
Cash at the end of the financial year	6	597	9,032	595	9,031
Non-cash financing and investing activities	33				
Financing facilities	34				

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are not at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

These consolidated financial statements have been prepared on a going concern basis. At 30 June 2003, the consolidated entity's current liabilities exceeded its current assets by \$7.4 million after recording a loss for the twelve months of \$32.7 million.

Note 36 to these financial statements sets out in more detail the financing arrangements that have been put in place since 30 June 2003. The Company will be seeking approval from shareholders at the Annual General Meeting to be held in late November 2003 for the following:

- conversion of the remaining RCF debt of \$7 million together with the extension fee into 92,000,000 fully paid ordinary shares of the Company at \$0.08 per share; and
- conversion of the Ocean \$7.2 million convertible loan into 90,000,000 fully paid ordinary shares at \$0.08 per share as set out in Note 17(4).

Should either or both approvals not be forthcoming from shareholders at the Annual General Meeting, these amounts will become due and payable.

In the short term, given the current operations, the consolidated entity's ability to continue operating and its ability to generate a positive cashflow is dependent on a significant increase in production through development of Paddys Flat and Paulsens which will require additional debt and equity funding and the sale of assets held for resale.

The Directors are of the view that shareholders will approve the RCF debt for equity conversion at the Annual General Meeting and, based on past experience, that the consolidated entity will be able to secure such additional debt and equity funding as is necessary; and/or sell such assets as are necessary to provide the required funding to enable the Company and its operations to continue as a going concern. However, should this not occur there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and realise its assets at the amounts stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset and liability amounts that might be necessary should the entity not continue to be a going concern.

The following accounting policies have been used by the consolidated entity for the periods presented:

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 30 June 2003 and the results of all

controlled entities together are referred to in this financial report as the consolidated entity.

The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(b) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition the value of the instruments is their market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(c) Recoverable Amount of Non-current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs. The expected net cash flows included in determining the recoverable amounts of non current assets are not discounted.

(d) Change in accounting policy for treatment of Mining Properties

With effect from 1 July 2002 all exploration and evaluation expenditure incurred by or on behalf of the Company up to the decision by the Board to proceed with development of a mining property, will be

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

expensed as incurred. Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

Mining properties now consists only of acquired exploration assets together with related mine development costs and capital assets. The cost of mineral properties includes the cash consideration and/or the fair value of shares issued on the date the property is acquired.

The recoverability of amounts shown for mining properties is dependent upon the existence of economically recoverable reserves; the acquisition and maintenance of appropriate permits, licenses and rights; the ability of the Company to obtain financing to complete the development of the properties where necessary and upon future profitable production; or,

alternatively, upon the Company's ability to recover its spent costs through a disposition of its interests.

Mine development costs relating to mineral properties are deferred until the properties are brought into commercial production, at which time they are amortised over the estimated useful life of the related property or on a unit-of-production basis over proven and probable reserves. Pre-production credits, including the value of marketable metals extracted during mine development, are credited against costs incurred.

The above policy was adopted with effect from 1 July 2002 to align the accounting policies of the Company with those of entities involved in the proposed Defiance Mining Corporation business combination with Geomaque Explorations Limited (a Canadian listed company).

The following adjustment was made on the statement of financial performance as a result of this change in accounting policy:

	Consolidated \$'000	Company \$'000
Cumulative effect of write off of exploration expenditure incurred prior to 1 July 2002	4,422	750
Current period exploration expenditure written off		
- Exploration drilling and assay expenditure	1,803	1,319
- Exploration consultant expenditure	1,447	477
- Other exploration expenditure items	2,225	-
	9,897	2,546

The previous accounting policy was to carry forward exploration and evaluation expenditure to the extent that such activities in the area of interest had not yet reached a stage which permitted a reasonable assessment of the existence or otherwise of recoverable mineral resources.

The restatements of consolidated and parent entity accumulated losses and non current assets exploration, evaluation and development set out below show the information that would have been disclosed had the new accounting policy always applied.

Notes	Consolidated		Company	
	30 June 2003 \$'000 (Restated)	30 June 2002 \$'000 (Restated)	30 June 2003 \$'000 (Restated)	30 June 2002 \$'000 (Restated)
Restatement of consolidated statement of financial performance (extract)				
Loss from ordinary activities before income tax expense	(20,122)	(18,049)	(22,424)	(20,447)
Change in accounting policy	(5,476)	(4,422)	(1,796)	(750)
Income tax expense	(2,965)	-	(2,965)	-
Net loss after tax	(28,563)	(22,471)	(27,185)	(21,197)
Restatement of mining properties				
Previously reported carrying amount	46,372	58,188	19,224	27,370
Adjustment for change in accounting policy	-	(4,422)	-	(750)
Restated carrying amount	46,372	53,766	19,224	26,620
Restatement of Accumulated Losses				
Previously reported carrying amount	(91,520)	(58,787)	(92,450)	(68,596)
Adjustment for change in accounting policy	-	(4,422)	-	(750)
Restated carrying amount	(91,520)	(63,209)	(92,450)	(69,346)

(e) Depreciation and Amortisation of Property, Plant and Equipment

The Directors have considered the economic life of mine buildings, machinery and equipment with due regard to both the physical life limitations, assessments of economically recoverable reserves of the mine property at which the items are located, and to possible future variations in those assessments. The estimated remaining useful life for all such assets is reviewed regularly with annual reassessments being made for major items.

The majority of mine buildings, plant and equipment (other than freehold land) is written off over its expected economic life.

The total net carrying values of mine buildings, machinery and equipment at the mine property are reviewed regularly and, to the extent by which these values exceed their recoverable amounts, that excess is fully provided against in the financial year in which this is determined.

Profits and losses on disposal of property, plant and equipment are taken into account in determining the result for the year.

(f) Depreciation and Amortisation of Assets Held for Resale

Plant and equipment which is currently surplus to requirements and not used is not depreciated. When those assets are used, they are depreciated on an hourly basis. The total carrying value of these assets is not in excess of estimated market value.

(g) Accounting for Income Tax

Income tax has been brought to account using the liability method of tax effect accounting. Future income tax benefits relating to tax losses are only recognised and brought to account to the extent that their realisation is virtually certain.

Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(h) Investments

Investments in listed and unlisted securities, other than controlled entities, are stated at cost unless, in the opinion of the Directors, a provision for diminution in value is considered necessary. Income from investments is brought to account by the consolidated entity when dividends are received. Controlled entities are accounted for as set out in Note 1(a).

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of ore stockpiles and gold stocks includes direct material, direct labour, transportation costs, and variable and fixed overhead costs relating to mining activities.

Costs have been assigned to inventory quantities on hand at balance date using the weighted average basis.

(j) Maintenance and Repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance programme. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1 (e). Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

(k) Employee Benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries and annual leave are recognised, and measured as the amount unpaid at the reporting date at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within twelve months of the reporting date is recognised in the provisions for employee entitlements and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than twelve months from the reporting date is recognised in the provisions for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the length of service and the probability of achievement of long service leave anniversary dates.

(iii) Ownership-based remuneration schemes

Ownership-based remuneration is provided to employees via the Employee Option Plan. Information relating to this scheme is set out in Note 30(e).

No accounting entries are made in relation to the Employee Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of Directors and executives in Notes 24 and 26 do not include the assessed fair values of options at the date they were granted.

(l) Leased Assets

Assets acquired under finance leases are included as property, plant and equipment in the statement of financial position. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property. Where assets are acquired by means of finance leases, the present value of the minimum lease payments is recognised as an asset at the beginning of the lease

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

term and amortised on a straight line basis over the expected useful life of the leased asset. A corresponding liability is also established and each lease payment is allocated between the liability and finance charge.

Other leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to expense over the year of expected benefit.

(m) Receivables

A provision is raised for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

(n) Revenue

Sales revenue represents revenue earned from the sale of gold and is recognised when title passes at the delivery point.

Revenue on sale of investments and tenements is recognised at disposal.

Interest revenue is recognised when it accrues taking into account interest rates applicable to financial assets.

(o) Cash Flows

For the purpose of the statements of cash flows, cash includes cash on hand, deposits held at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(p) Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables at balance date are translated at exchange rates at balance date. Exchange gains and losses are brought to account in determining the statement of financial performance for the year.

Exchange gains and losses and hedging costs arising on forward foreign exchange contracts entered into as hedges of specific commitments are deferred on the statement of financial position and included in the determination of the amounts at which the transactions are brought to account. All exchange gains and losses relating to other hedge transactions are brought to account in the statement of financial performance in the same year as the exchange differences on the items covered by the hedge transactions.

Gains and losses on foreign currency transactions that are not accounted for as specific hedges, if any, are brought to account as they arise and disclosed as speculative gains or losses.

(q) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within sixty days of recognition.

(r) Rehabilitation and Restoration Costs

Provision is made on a straight line basis for the consolidated entity's estimated liability under specific legislative requirements and the conditions of its mining leases for future costs expected to be incurred in restoring areas of interest. The estimated liability is based on the restoration work required, using existing technology, as a result of activities to date.

(s) Borrowing Costs

Borrowing costs are recognised as expenses in the year in which they are incurred. Borrowing costs include interest on bank overdrafts, short-term and long-term borrowings, finance lease charges, the fair value of equity securities issued in satisfaction of interest and facility fees and amortisation of establishment costs and facility fees in connection with the arrangement of borrowings.

(t) Interest Bearing Liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the year it becomes due and is recorded as part of other creditors.

(u) Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(v) Earnings per Share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

2. SEGMENT INFORMATION

The consolidated entity operates predominantly in the gold mining industry in Australia.

The consolidated entity's head office is in Australia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
3. REVENUE				
Revenue from operating activities				
Revenue from sale of gold	56,111	54,516	56,111	54,516
Revenue from non-operating activities				
Proceeds on sale of investments	17	26,727	-	17,669
Proceeds on sale of tenements	35	210	-	10
Proceeds on sale of property, plant and equipment	982	4,300	982	4,300
Interest received	292	124	1,429	353
Other	167	616	-	448
Total revenue from ordinary activities	57,604	86,493	58,522	77,296
4. (LOSS) FROM ORDINARY ACTIVITIES				
(Loss) from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net Gains				
Net gain on disposal of:				
- Investments	17	9,221	-	5,709
- Property, plant and equipment	798	2,336	798	2,336
- Tenements	-	24	-	(176)
Expenses				
Cost of gold sales	60,764	59,839	60,764	59,839
Amortisation of mining expenses	15,641	22,426	15,641	22,426
Write down of mining development expenses	-	5,750	-	5,750
Write-down of exploration tenements	-	3,381	-	3,381
Depreciation:				
- Buildings	178	177	178	177
- Plant and equipment	2,572	1,867	2,528	1,707
	2,750	2,044	2,706	1,884
Borrowing cost expensed:				
- Interest paid	3,547	3,545	3,176	2,876
- Convertible Note borrowing cost	1,337	-	1,337	-
- Finance charges relating to:				
- finance leases	340	270	340	270
- hire purchase	225	126	225	126
	5,449	3,941	5,078	3,272
Rental of premises	418	303	418	261
Royalties	1,728	1,386	1,728	1,386
Provision for:				
- Employee entitlements	832	772	832	772
- Rehabilitation	598	595	598	595
- Inventories	96	22	96	22
Cost/adjustments associated with surplus office space	(13)	(283)	(13)	(283)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000

5. INCOME TAX

(a) Tax Expense

The amount of income tax expense for the financial year differs from the amount calculated on the loss. The differences are reconciled as follows:

Loss from ordinary activities before income tax expense	(30,020)	(18,049)	(24,970)	(20,447)
Income tax calculated at 30% (2002 - 30%)	9,006	5,415	7,491	6,134
Tax effect of permanent differences:				
- Provision for diminution in investments	-	-	(1,224)	-
- Legal and other capital expenditure	(132)	(370)	(127)	(351)
- Sundry items	(20)	(2)	(20)	(2)
	(152)	(372)	(1,371)	(353)
Income tax adjusted for permanent differences	8,854	5,043	6,120	5,781
Net future income tax benefit not brought to account	(8,854)	(5,043)	(6,120)	(5,781)
Future income tax benefits previously recognised, now written off	(2,965)	-	(2,965)	-
Income tax (expense)	(2,965)	-	(2,965)	-
(b) Unbooked future income tax benefit				
Future income tax benefit attributable to operating losses	26,401	16,595	21,617	15,775
Less: offset to provision for deferred income tax	(4,248)	(8,592)	(3,870)	(8,592)
	22,153	8,003	17,747	7,183
Future income tax benefit attributable to timing differences not brought to account	1,615	1,496	1,615	1,496
Future income tax benefit not brought to account	23,768	9,499	16,132	8,679

These benefits will only be obtained if:

- the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised; or
- the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

(c) Tax consolidation legislation

The Company and its wholly-owned Australian subsidiaries have not yet decided to implement the tax consolidated legislation. The decision will be made prior to 30 June 2004. Accordingly the financial effect of the implementation of the legislation has not been recognised in the financial statements for the year ended 30 June 2003.

6. CASH ASSETS

Current

Current cash on hand	1	1	1	1
Cash on call	596	9,031	594	9,030
	597	9,032	595	9,031

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
7. RESTRICTED CASH				
Current				
Term deposit ⁽ⁱ⁾	280	-	280	-
Non-Current				
Term deposit ⁽ⁱ⁾	-	280	-	280
Term deposit ⁽ⁱⁱ⁾	3,293	1,557	3,293	1,557
	3,293	1,837	3,293	1,837
⁽ⁱ⁾ Funds placed on security deposit for lease rental. The lease expires on 31 December 2003.				
⁽ⁱⁱ⁾ Funds placed on security deposit with Macquarie Bank Limited as security for performance bonds issued by Macquarie Bank Limited to Department of Minerals and Petroleum.				
8. RECEIVABLES				
Current				
Trade debtors	2,318	3,287	2,318	2,939
Other debtors	1,370	-	1,370	-
	3,688	3,287	3,688	2,939
Non-Current				
Non-trade receivables from controlled entities	-	-	19,600	7,498
Less: provision for non-recovery	-	-	(1,360)	(1,269)
	-	-	18,240	6,229
9. INVENTORIES				
Current				
Consumables and spares - at cost	1,749	2,320	1,749	2,320
Less: provision for obsolescence	(334)	(238)	(334)	(238)
	1,415	2,082	1,415	2,082
Ore stockpiles - at cost	1,009	1,336	1,009	1,336
Less: provision for diminution	-	(826)	-	(826)
	1,009	510	1,009	510
Gold in circuit - at cost	1,840	2,559	1,840	2,559
	4,264	5,151	4,264	5,151
10. ASSETS HELD FOR RESALE				
Current				
Plant and equipment				
- Under finance lease	5,261	5,261	5,261	5,261
- Accumulated amortisation	(1,261)	(365)	(1,261)	(365)
	4,000	4,896	4,000	4,896
Plant and equipment owned				
- At cost	2,342	3,559	2,019	3,235
- Accumulated depreciation	(2,148)	(3,046)	(1,925)	(2,902)
	194	513	94	333
	4,194	5,409	4,094	5,229

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
11. OTHER ASSETS				
Current				
Prepayments	1,101	1,223	1,070	1,222
Unexpired hire purchase charges	149	225	149	225
Other	-	57	-	-
	1,250	1,505	1,219	1,447
Non-Current				
Unexpired hire purchase charges	83	232	83	232
12. PROPERTY, PLANT AND EQUIPMENT				
Non-Current				
Property, plant and equipment – at cost				
Land	1,249	1,255	140	146
Buildings	4,683	4,743	4,683	4,743
Less: Accumulated depreciation	(4,300)	(4,204)	(4,300)	(4,204)
	383	539	383	539
Plant and equipment	59,319	59,277	59,136	59,094
Less: Accumulated depreciation and provision for diminution	(52,571)	(51,177)	(52,406)	(51,052)
Assets under construction	-	12	-	12
Written down value of plant and equipment	6,748	8,112	6,730	8,054
	8,380	9,906	7,253	8,739
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Land				
Carrying amount at the beginning of year	1,255	456	146	216
Disposals	(6)	-	(6)	-
Transfer to / (from) land	-	799	-	(70)
Carrying amount at the end of the year	1,249	1,255	140	146
Buildings				
Carrying amount at the beginning of year	539	739	539	739
Disposals	-	(6)	-	(6)
Depreciation	(178)	(177)	(178)	(177)
Transfer to/(from) buildings	22	(17)	22	(17)
Carrying amount at the end of the year	383	539	383	539
Plant and equipment				
Carrying amount at the beginning of year	8,112	7,562	8,054	7,165
Additions	205	5,908	205	5,908
Disposals	(47)	(1,958)	(47)	(2,828)
Depreciation	(1,674)	(1,867)	(1,634)	(1,707)
Under construction	-	12	-	12
Transfer to / (from) plant and equipment	152	(1,545)	152	(496)
Carrying amount at the end of the year	6,748	8,112	6,730	8,054
	8,380	9,906	7,253	8,739

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
13. DEFERRED TAX ASSETS				
Future income tax benefit (relating to tax losses)	-	2,965	-	2,965
14. MINING PROPERTIES				
Non-Current				
Opening balance	58,188	45,071	27,370	17,736
Direct expenditure	10,558	44,511	6,877	41,028
Acquired tenements	3,164	-	3,164	-
Tenement disposal	-	(186)	-	(186)
Provision for diminution	-	(3,381)	-	(3,381)
Amortisation charge for the year	(15,641)	(27,827)	(15,641)	(27,827)
Write down due to change in accounting policy (see Note 1(d))	(9,897)	-	(2,546)	-
Closing balance	46,372	58,188	19,224	27,370
Mining properties by area of interest:				
Areas of interest in the exploration / evaluation stage:				
- at cost	48,734	34,513	14,234	3,695
- write down due to change in accounting policy (see Note 1(d))	(7,352)	-	-	-
	41,382	34,513	14,234	3,695
Areas of interest in the development and production phase				
- at cost	109,962	109,538	109,962	109,538
- accumulated amortisation	(59,075)	(42,512)	(59,075)	(42,512)
- write down due to change in accounting policy (see Note 1(d))	(2,546)	-	(2,546)	-
- provision for diminution	(43,351)	(43,351)	(43,351)	(43,351)
	4,990	23,675	4,990	23,675
	46,372	58,188	19,224	27,370

During the year the Company has reclassified \$10.5 million of previously acquired exploration expenditure from areas of interest in the development and production phase to areas of interest in the exploration phase.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
15. OTHER FINANCIAL ASSETS				
Current				
Investments in other entities:				
- Listed securities (at cost) ⁽¹⁾	4,891	-	4,891	-
Non-Current				
Investments in other entities:				
- Listed securities (at cost) ⁽¹⁾	-	4,526	-	4,526
Investments in controlled entities:				
- Unlisted securities (at cost)	-	-	179	179
- Listed securities (at cost) ⁽²⁾	-	-	20,537	20,534
Provision for diminution	-	-	(4,081)	-
	-	4,526	16,635	25,239
Listed securities in other entities – market value				
The aggregate market value at balance date of investments in other entities listed on a prescribed stock exchange is:				
Current:				
- Listed securities ⁽¹⁾	4,662	-	4,662	-
Non-Current:				
- Listed securities ⁽¹⁾	-	5,810	-	5,810
Listed securities in controlled entities – market value				
The aggregate market value at balance date of investments in controlled entities listed on a prescribed stock exchange is:				
Non current:				
- Listed securities ⁽⁴⁾	-	-	4,768	15,450

Due to losses carried forward, the amount of tax that would have been paid if these assets were to be sold at market value at balance date is nil.

At balance date, securities were held in the following listed entities:

⁽¹⁾ Dioro Exploration NL, a gold exploration company. The consolidated entity held 44,400,000 shares in Dioro Exploration NL at 30 June 2003 (2002: 41,500,000). All of the 44,400,000 shares were sold on 3 July 2003 realising net proceeds of \$4,984,000.

⁽⁴⁾ Taipan Resources NL. The consolidated entity held 190,719,338 fully paid ordinary shares (2002:190,719,338) and nil partly paid shares (2002: 196,142,209). All of the partly paid shares in Taipan were cancelled in February 2003.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
16. PAYABLES				
Current				
Trade creditors and accruals	10,561	15,905	10,555	15,892
Non-Current				
Loans from controlled entities - unsecured	-	-	11,484	11,513
17. INTEREST BEARING LIABILITIES				
Current				
Lease liability – secured ⁽¹⁾	2,018	3,072	2,018	3,072
Hire purchase liability – secured	1,133	1,285	1,133	1,285
Convertible notes – secured ⁽²⁾	-	7,069	-	-
Other loans - secured ⁽³⁾	12,000	1,500	12,000	1,500
	15,151	12,926	15,151	5,857
Non Current				
Hire purchase liability – secured	1,528	2,893	1,528	2,893
Other loans – secured ⁽³⁾	-	6,500	-	6,500
Convertible loan - unsecured ⁽⁴⁾	7,305	-	7,305	-
	8,833	9,393	8,833	9,393

⁽¹⁾ Secured by a fixed charge over the item of plant and equipment purchased by the funds advanced. The lease liability is payable monthly with the last payment due in November 2004, however, the entire liability is disclosed as a current liability as it relates to one of the assets held for resale which is disclosed as a current asset with a carrying value of \$4 million at 30 June 2003.

⁽²⁾ These convertible notes were repaid in full on 30 November 2002.

⁽³⁾ On 8 January 2002, RCF and the Company, Silkwest Holdings Pty Ltd and St Barbara Pastoral Co. Pty Ltd entered into a financing facility of \$20 million ("RCF Facility"). Each of these companies entered into deeds of fixed and floating charges with RCF to secure their obligations under the RCF Facility. In addition, the Company granted RCF a share mortgage. Silkwest Holdings Pty Ltd and St Barbara Pastoral Co. Pty Ltd have entered into deeds of guarantee and indemnity with RCF.

The security provided to RCF constitutes a first ranking security to RCF over any assets of the parent entity acquired by utilising funds drawn down under the RCF Facility and a second ranking charge over the parent entity assets generally. This second ranking security is subordinated to the existing Macquarie Bank Limited security under a deed of priority.

Interest of 10% per annum calculated daily pursuant to the RCF Facility is payable.

The RCF Facility provides that, at the election of the Company, the Company may satisfy a payment obligation for interest by the issue of ordinary shares based on the weighted average sell price on ASX of the Ordinary Shares on the date the payment obligation falls due, pursuant to an agreed formula. The Company elected to pay the interest payment obligation due 30 June 2003 by the issue of Ordinary Shares. 15,910,922 ordinary shares were issued by the Company to RCF on 7 July 2003.

The RCF Facility provides RCF with an entitlement to be issued options. The Company must, at the end of June and December of each period during the term, issue options to RCF calculated with reference to the funding portion which remains outstanding on each day. The term of each option will be 42 months from the date of issue. The options issued under the RCF Facility are not listed for trading on ASX.

The RCF Facility was modified and extended on 14 February 2003 such that the facility of \$20 million reduced to \$12 million. \$5 million was repaid to RCF on 9 July 2003 on receipt of the proceeds of the sale of the shares in Dioro Exploration NL. Consequently the RCF Facility was reduced to \$7 million as at that date.

Subject to shareholder approval at a General Meeting, the balance owing of \$7 million will be converted at \$0.08 per share into fully paid ordinary shares in the Company. Note 36 – Events Subsequent to 30 June 2003 sets out details of the agreement entered into between the Company and RCF on 22 September 2003.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

⁽ⁱ⁾ On 27 February 2003, the Company announced that it had entered into an agreement to raise \$2,800,000 by way of St Barbara issuing \$2,800,000 of unsecured convertible notes to Ocean Resources Capital Holdings Limited ("Ocean"). The funds were raised to fund the Paddys Flat acquisition and general working capital. The repayment date for the convertible notes was 31 December 2007 and carried interest at 12%. The convertible note was convertible, at the option of Ocean, into 21,538,462 fully paid ordinary shares in the Company at \$0.13 per share. Shares to be issued pursuant to this convertible note were approved by shareholders at the 6 June 2003 General Meeting.

On 27 June 2003, the Company announced that Ocean had exercised early, at a price of \$0.13 per share, 15,000,000 shares pursuant to the convertible note. These shares were transferred to a UK institution by Ocean for consideration in conjunction with the placement on 26 June 2003.

On 27 February 2003, the Company announced that it had entered into an agreement to raise \$5,600,000 through an unsecured convertible loan from Ocean. The funds were raised to fund the Paddys Flat acquisition and general working capital. The repayment date for the convertible loan is 31 December 2007 and carries interest at 12%. The convertible note is convertible, at the option of Ocean, into 43,076,923 fully paid ordinary shares in St Barbara at \$0.13 per share. Shares to be issued pursuant to this convertible loan were approved by shareholders at the 6 June 2003 General Meeting.

On 10 July 2003, the Company announced that the existing convertible note and convertible loan dated 27 February 2003 had been cancelled and a new convertible loan had been entered into with Ocean effective 19 June 2003. The face value of the new unsecured convertible loan from Ocean is \$7,200,000, the repayment date is 19 December 2005 and carries interest at 12%. The convertible loan is convertible, at the option of Ocean, into 90,000,000 fully paid ordinary shares in the Company at \$0.08 per share. Any shares to be issued pursuant to this convertible loan will require approval by shareholders at a General Meeting. On seven business days after shareholder approval at a General Meeting, \$2,800,000 of the total face value shall automatically be converted into 35,000,000 fully paid ordinary shares in the Company at \$0.08 per share. The remaining face value owing will then reduce to \$4,400,000. In the event the Company fails to obtain shareholder approval at a General Meeting within twelve months of the Issue Date then Ocean may, on no less than sixty business days' notice, require repayment of the total face value. As at 30 June 2003, \$1,370,000 of the convertible loan had not yet been received (see Note 8) but was received in August 2003.

	Consolidated		Company	
	30 June 2003	30 June 2002	30 June 2003	30 June 2002
	\$'000	\$'000	\$'000	\$'000
Assets pledged as security				
The carrying amounts of assets pledged as security are:				
First Mortgage				
- Property, plant and equipment	8,380	10,419	7,253	9,072
- Other financial assets	4,891	4,526	25,607	25,239
Finance Lease				
- Plant and equipment under finance lease	4,000	4,896	4,000	4,896
Floating Charge				
- Cash and restricted cash	4,170	10,869	4,168	10,868
Receivables	3,688	3,287	3,688	2,939
Total assets pledged as security	25,129	33,997	44,716	53,014

18. PROVISIONS

Current

Employee benefits	771	902	771	902
Directors' retirement benefits	98	98	98	98
Surplus leased space	29	37	29	37
	898	1,037	898	1,037

Non-Current

Employee benefits	180	108	180	108
Rehabilitation	3,696	2,543	3,696	2,543
Surplus leased space	-	18	-	18
	3,876	2,669	3,876	2,669

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

Movements in Provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Directors' retirement benefits \$'000	Surplus leased space \$'000	Total \$'000
Consolidated and Company			
Current			
Carrying amount at start of the year	98	37	135
Payments made	-	(26)	(26)
Transfer from non-current	-	18	18
Carrying amount at end of the year	98	29	127

	Rehabilitation \$'000	Surplus leased space \$'000	Total \$'000
Non-Current			
Carrying amount at start of the year	2,543	18	2,561
Provision acquired	598	-	598
Additional provision made	555	-	555
Transfer to current	-	(18)	(18)
Carrying amount at end of the year	3,696	-	3,696

Consolidated		Company	
30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000

19. CONTRIBUTED EQUITY

Ordinary Share Capital

Issued and paid up	127,534	118,213	127,534	118,213
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These shares have no par value and are fully paid ordinary shares. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

Movements in Ordinary Share Capital:

Date	Details	Notes	Number of shares	Issue price	\$'000
30 June 01	Opening balance		216,506,706		98,191
	Share buy back	(1)	(4,568,756)		(1,066)
22 Jan 02	Share issue	(2)	2,352,403	\$0.2125	500
13 Feb 02	Placement	(3)	10,909,090	\$0.2200	2,400
	Share issue expenses		-	-	(113)
9 Apr 02	Share issue	(4)	7,058,824	\$0.2125	1,500
27 May 02	Placement	(5)	60,000,000	\$0.2000	12,000
	Share issue expenses		-	-	(732)
5 June 02	Placement	(6)	27,500,000	\$0.2100	5,775
	Share issue expenses		-	-	(242)
30 June 02	Balance		319,758,267		118,213
15 July 02	Share issue	(7)	1,210,052	\$0.2037	246
15 July 02	Share issue	(7)	196,562	\$0.2263	44
15 July 02	Share issue	(8)	1,846,628	\$0.2143	396
21 Aug 02	Placement	(9)	34,333,332	\$0.1650	5,665
	Share issue expenses		-	-	(993)
17 Oct 02	Share issue	(8)	280,140	\$0.1973	55
2 Dec 02	Share issue	(7)	1,562,000	\$0.0960	150
31 Dec 02	Share issue	(7)	1,067,616	\$0.0843	90
31 Dec 02	Share issue	(7)	4,261,200	\$0.1021	435
31 Dec 02	Share issue	(7)	437,006	\$0.1136	50
31 Jan 03	Share issue	(10)	15,000,000	\$0.1100	1,650
	Share issue expenses		-	-	(83)
17 Feb 03	Share issue	(11)	5,600,000	\$0.1100	616
14 Mar 03	Correction		500	-	-
26 June 03	Share issue	(12)	15,000,000	-	-
26 June 03	Share issue	(13)	15,000,000	\$0.0667	1,000
30 June 03	Closing Balance		415,553,303		127,534

(1) During October and November 2001 the Company purchased and cancelled 4,568,756 fully paid shares on-market being 2% of ordinary share capital. The buy-back decision was made by the Company on the Board's belief that the share prices at the time did not reflect the underlying value of the Company's share capital. The total cost of \$1,066,000 was deducted from ordinary share capital. There is no current on-market buy-back.

(2) Share issue to RCF for RCF Facility establishment fee.

(3) Placement to raise working capital.

(4) Share issue to RCF for the balance of the RCF Facility establishment fee.

(5) Placement to raise working capital.

(6) Placement to raise working capital.

(7) Share issue to RCF for Facility interest and fees.

(8) Share issue in accordance with an agreement with Grimwood Davies Pty Ltd for conducting a drilling programme in the Meekatharra area.

(9) Placement to raise working capital.

(10) Placement to raise working capital.

(11) Share issue on finalisation of Paulsens Native Title agreement.

(12) Share issue on part conversion of convertible note. See note 17(4)

(13) Placement to raise working capital.

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FOR THE YEAR ENDED 30 JUNE 2003

Consolidated		Company	
30 June 2003	30 June 2002	30 June 2003	30 June 2002
\$'000	\$'000	\$'000	\$'000

20. OPTIONS

(a) Option Reserve

Option reserve at the beginning of the financial period	430	-	430	-
Options issued during the financial period	1,529	430	1,529	430
Option reserve at the end of the financial period	1,959	430	1,959	430

This option reserve arises from 9,703,285 unlisted and 22,166,666 listed options being issued during the course of the year.

The fair value of each option issued has been valued using the Black-Scholes option pricing model after considering factors such as the term of the option, the risk free interest rate and the volatility of the share price.

(b) Listed Share Options

The consolidated entity had the following listed share options on issue at 30 June 2003.

Date	Details	Notes	Number of Options	Exercise Price	Expiry Date
30 June 2002	Balance		22,163,106	\$0.30	29 February 2004
21 Aug 2002	Placement	(1)	17,166,666	\$0.30	29 February 2004
6 Sept 2002	Financing	(2)	5,000,000	\$0.30	29 February 2004
30 June 2003	Balance		44,329,772	\$0.30	29 February 2004

(1) These options were issued pursuant to the placement of 34,333,332 fully paid ordinary shares. These options enable the holder of each option to subscribe for one fully paid ordinary share in the Company for every option held.

(2) These options were issued in satisfaction of a financing fee.

(c) Unlisted Share Options

At 30 June 2003, the consolidated entity had 44,905,632 unlisted share options on issue.

On 20 October 1995, shareholders at a general meeting approved the Employee Share Option Plan (ESOP). The purpose of the ESOP is to provide an incentive to executive officers on the Company. No new options will be issued in future under this ESOP.

On 28 November 2001, shareholders at a general meeting approved a new Employee Option Plan.

Each unlisted share option entitles the holder to subscribe for one ordinary share on, substantially, the following terms:

- (i) each unlisted option entitles the holder to subscribe for one ordinary share at the exercise prices set out below;
- (ii) the unlisted options are exercisable at any time up to 5.00pm Perth, Western Australia time on the dates set out below by completing an option exercise form and delivering it together with the required payment for the relevant number of ordinary shares in respect of which the unlisted options are exercised to the registered office of the Company. Any unlisted options not exercised by that time will lapse.

The unlisted options are not admitted to the official list of ASX.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

(iii) Expiry Date	Exercise Price	Number of Unlisted Options	Issue Basis
23 Dec 04	\$0.45	5,000,000	Shareholder Approved
23 Dec 04	\$0.35	5,000,000	Shareholder Approved
23 Dec 04	\$0.25	5,000,000	Shareholder Approved
31 Dec 04	\$0.40	500,000	Shareholder Approved
31 Dec 04	\$0.40	10,000,000	Shareholder Approved
26 Apr 07	\$0.35	6,000,000	Employee Option Plan
17 Jan 08	\$0.35	1,575,000	Employee Option Plan
7 Feb 05	\$0.2125	157,938	RCF Facility and shareholder ratified
5 Mar 05	\$0.2125	373,893	RCF Facility and shareholder ratified
2 Apr 05	\$0.2125	449,638	RCF Facility and shareholder ratified
20 May 05	\$0.2125	470,589	RCF Facility and shareholder ratified
20 May 05	\$0.2086	36,118	RCF Facility and shareholder ratified
3 June 05	\$0.2125	499,597	RCF Facility and shareholder ratified
3 June 05	\$0.2086	50,894	RCF Facility and shareholder ratified
3 June 05	\$0.2124	88,680	RCF Facility and shareholder ratified
15 July 05	\$0.2125	483,482	RCF Facility and shareholder ratified
15 July 05	\$0.2086	49,252	RCF Facility and shareholder ratified
15 July 05	\$0.2124	241,854	RCF Facility and shareholder ratified
13 Aug 05	\$0.2125	499,597	RCF Facility and shareholder ratified
13 Aug 05	\$0.2086	50,894	RCF Facility and shareholder ratified
13 Aug 05	\$0.2124	249,917	RCF Facility and shareholder ratified
6 Sept 05	\$0.2125	499,597	RCF Facility and shareholder ratified
6 Sept 05	\$0.2086	50,894	RCF Facility and shareholder ratified
6 Sept 05	\$0.2124	249,917	RCF Facility and shareholder ratified
15 Oct 05	\$0.2125	483,482	RCF Facility and shareholder ratified
15 Oct 05	\$0.2086	49,252	RCF Facility and shareholder ratified
15 Oct 05	\$0.2124	241,854	RCF Facility and shareholder ratified
31 Dec 05	\$0.1100	1,000,000	RCF Facility and shareholder ratified
7 July 06	\$0.2125	1,482,677	RCF Facility and shareholder ratified
7 July 06	\$0.2086	151,040	RCF Facility and shareholder ratified
7 July 06	\$0.2124	741,686	RCF Facility and shareholder ratified
7 July 06	\$0.1138	3,177,890	RCF Facility and shareholder ratified
	Total	44,905,632	

Consolidated		Company	
30 June 2003	30 June 2002	30 June 2003	30 June 2002
\$'000	\$'000	\$'000	\$'000

21. ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial period	(58,787)	(40,893)	(68,596)	(48,149)
Net loss attributable to members of the Company	(32,733)	(17,894)	(27,935)	(20,447)
Accumulated losses at the end of the financial period	(91,520)	(58,787)	(96,531)	(68,596)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated		Company	
	30 June	30 June	30 June	30 June
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
22. OUTSIDE EQUITY INTEREST				
Outside equity interest in:				
- contributed equity	2,403	2,403	-	-
- accumulated losses opening balance	(2,151)	(1,996)	-	-
- retained loss current period	(252)	(155)	-	-
	-	252	-	-

The outside equity interest arises from the Company's 88.3% interest in Taipan.

23. FINANCIAL INSTRUMENTS

(a) Commodity Contracts

At the end of each financial period, the consolidated entity had committed to the following gold hedging contracts:

	Consolidated		Company	
	30 June	30 June	30 June	30 June
	2003	2002	2003	2002
Forwards				
- ounces hedged	-	4,221	-	4,221
- average price per ounce	-	\$518	-	\$518
- contract type	-	Forward	-	Forward

Hedging was historically undertaken in order to avoid or minimise possible adverse financial effects of movements in the price of gold. Gold from production is delivered into forward contracts. The gains and costs of entering these contracts and any realised or unrealised gains and losses are deferred until the underlying cash flow occurs.

The unrealised losses deferred at the reporting date and the year to which they relate are set out below:

	Consolidated		Company	
	30 June	30 June	30 June	30 June
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Less than a year	-	176	-	176

These unrealised losses are measured by comparing the contracted price to the spot gold price at balance date. The amounts disclosed above are only indicative of the amounts which may ultimately be realised.

(b) Credit Risk Exposures

The credit risk on financial assets of the consolidated entity which have been recognised, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(c) Interest Rate Risk Exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

(c) Interest Rate Risk Exposures continued

	Fixed interest maturing in:				Total \$'000
	Floating Interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	Non-interest bearing \$'000	
30 June 2003					
Financial assets					
Cash	596	-	-	1	597
Restricted cash	3,573	-	-	-	3,573
Receivables	-	-	-	3,688	3,688
Investments	-	-	-	4,891	4,891
	4,169	-	-	8,580	12,749
Weighted average interest rate	4.60%	-	-	-	-
Financial liabilities					
Trade and other creditors	-	-	-	(10,561)	(10,561)
Lease liability	-	(1,242)	(776)	-	(2,018)
Other loans	-	(13,133)	(8,833)	-	(21,966)
	-	(14,375)	(9,609)	(10,561)	(34,545)
Weighted average interest rate	-	9.93%	11.18%	-	-
Net financial assets/(liabilities)	4,169	(14,375)	(9,609)	(1,981)	(21,796)
30 June 2002					
Financial assets					
Cash	9,031	-	-	1	9,032
Restricted cash	1,837	-	-	-	1,837
Receivables	-	-	-	3,287	3,287
Investments	-	-	-	4,526	4,526
	10,868	-	-	7,814	18,682
Weighted average interest rate	3.88%	-	-	-	-
Financial liabilities					
Trade and other creditors	-	-	-	(15,905)	(15,905)
Lease liability	-	(1,055)	(2,017)	-	(3,072)
Other loans	-	(9,854)	(9,393)	-	(19,247)
	-	(10,909)	(11,410)	(15,905)	(38,224)
Weighted average interest rate	-	11.13%	9.94%	-	-
Net financial assets/(liabilities)	10,868	(10,909)	(11,410)	(8,091)	(19,542)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

(c) Interest Rate Risk Exposures continued

Reconciliation of Net Financial Assets to Net Assets	2003 \$'000	2002 \$'000
Net financial assets above	(21,796)	(19,542)
Non-financial assets and liabilities		
- Inventories	4,264	5,151
- Assets held for resale	4,194	5,409
- Property, plant and equipment	8,380	9,906
- Other assets	1,333	1,737
- Provisions	(4,774)	(3,706)
- Deferred tax assets	-	2,965
- Exploration, evaluation and development	46,372	58,188
Net assets per statement of financial position	<u>37,973</u>	<u>60,108</u>

(d) Net Fair Value of Financial Assets and Liabilities

(i) On-Balance Sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying value. The net fair value of other monetary financial assets and financial liabilities is based upon market prices.

(ii) Off-Balance Sheet

For forward exchange and commodity contracts, the net fair value is taken to be the unrealised gain or loss at balance date calculated by reference to the current forward rates for contracts with similar maturity profiles.

The consolidated entity has potential financial liabilities that may arise from certain contingencies disclosed in Note 28. As explained in that note, no material losses are anticipated in respect of any of those contingencies and the net fair value disclosed is the Directors' estimate of amounts which would be payable by the consolidated entity as consideration for the assumption of those contingencies by another party.

The carrying amounts and the net fair values of financial assets and liabilities at balance date are:

	2003		2002	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
On balance sheet financial instruments				
Financial assets				
- Cash and restricted cash	4,170	4,170	10,869	10,869
- Receivables	3,688	3,688	3,287	3,287
- Traded investments	4,891	4,662	4,526	5,810
	<u>12,749</u>	<u>12,520</u>	<u>18,682</u>	<u>19,966</u>
Financial liabilities				
- Payables	10,561	10,561	15,905	15,905
- Lease liability	2,018	2,018	3,072	3,072
- Other loans	21,966	21,966	19,247	19,247
	<u>34,545</u>	<u>34,545</u>	<u>38,224</u>	<u>38,224</u>
Off balance sheet financial instruments				
Financial liabilities				
- Gold forwards loss	-	-	-	176

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

Consolidated		Company	
30 June 2003	30 June 2002	30 June 2003	30 June 2002
\$	\$	\$	\$

24. REMUNERATION OF DIRECTORS

Income paid or payable, or otherwise made available, to Directors by entities in the consolidated entity and related parties in connection with the management of affairs of the Company or its controlled entities

719,049	764,269	656,592	601,861
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The 2003 consolidated remuneration includes Directors' remuneration for Directors of Taipan totalling \$62,457 (2002: \$162,408).

No options were granted to Directors during the year ended 30 June 2003. The amounts disclosed for remuneration of Directors does not include the assessed fair values of options granted to Directors during the year ended 30 June 2002.

The number of the Company's Directors whose total income from the Company or related parties was within the specified bands are as follows:

	30 June 2003 Number	30 June 2002 Number
\$0- \$9,999	1	1
\$10,000- \$19,999	-	1
\$50,000- \$59,999	1	1
\$100,000- \$109,999	1	-
\$260,000- \$269,999	-	1
\$270,000- \$279,999	-	1
\$550,000- \$559,999	1	-

25. RETIREMENT BENEFITS OF DIRECTORS

No benefits have been paid to Directors in connection with their retirement as a Director of St Barbara. The Company has made a provision for Non-Executive Directors' retirement benefits based on the last three years of Directors' fees paid (see Note 18).

26. REMUNERATION OF EXECUTIVES

Consolidated		Company	
30 June 2003	30 June 2002	30 June 2003	30 June 2002
\$	\$	\$	\$

Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by Australian-based executive officers (including executive directors) whose remuneration was at least \$100,000

2,187,084	1,650,263	2,187,084	1,525,655
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Executive remuneration for the year ended 30 June 2003 includes executive officers' remuneration of Taipan totalling \$nil (2002 : \$124,608).

The amounts disclosed for remuneration of executive officers does not include the assessed fair values of options granted to executive officers during the year ended 30 June 2002 or the year ended 30 June 2003. Details of options issued to executives are set out in the Directors' Report.

The number of executive officers of the consolidated entity and related parties included in these figures are shown below in their relevant income bands:

	Consolidated and Company	
	30 June 2003	30 June 2002
\$100,000 to \$109,999	-	1
\$120,000 to \$129,999	-	1
\$140,000 to \$149,999	1	-
\$150,000 to \$159,999	1	-
\$160,000 to \$169,999	2	2
\$170,000 to \$179,999	1	-
\$190,000 to \$199,999	-	1
\$210,000 to \$219,999	1	-
\$230,000 to \$239,999	1	-
\$240,000 to \$249,999	-	1
\$260,000 to \$269,999	-	1
\$270,000 to \$279,999	-	1
\$370,000 to \$379,999	1	-
\$550,000 to \$559,999	1	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

27. REMUNERATION OF AUDITORS

During the year the auditor of the Company, and its related practices earned the following remuneration:

PricewaterhouseCoopers

Remuneration for audit or review of the financial reports of the Company or any entity in the consolidated entity

Remuneration for other services:

- Taxation service and general advice
- AIM Listing

Consolidated		Company	
30 June 2003	30 June 2002	30 June 2003	30 June 2002
\$	\$	\$	\$
82,000	58,000	76,000	52,000
11,800	65,029	11,800	65,029
-	181,150	-	181,150
93,800	304,179	87,800	304,179

28. CONTINGENT LIABILITIES

Details and estimated maximum amounts of contingent liabilities, for which no provisions are included in the accounts, are as follows:

(a) Guarantees and Undertakings

- (i) The Company has given undertakings to two of its controlled entities that it intends to provide the necessary financial or other support to enable them to meet their obligations as and when they fall due
- (ii) Indemnity to the Company's bankers in respect of guarantees provided by the bankers to the Western Australian Department of Minerals and Energy – see Note 7

- (iii) Security guarantees given to the Western Australian Department of Minerals and Energy

Consolidated		Company	
30 June 2003	30 June 2002	30 June 2003	30 June 2002
\$'000	\$'000	\$'000	\$'000
3,262	1,492	3,262	1,492
30	333	30	218

(b) Native Title

It is possible that Native Title, as defined in the Native Title Act 1993, may be established over land in which the consolidated entity has an interest. The consolidated entity has received several claims from interested parties to this effect. It is impossible at this stage to quantify the impact (if any) these, or any future claims, may have on the operations of the consolidated entity. The outstanding claims remained unresolved at balance date, and negotiations are continuing.

(c) **Litigation**

(i) **Westgold**

In late September 2000, a demand was made against the Company by Westgold Resources NL ("Westgold") alleging a loss and damage in the sum of \$7,581,768. A Writ of Summons was issued by Westgold against the Company in the Supreme Court of Western Australia in CIV 2427 of 2000 on 20 October 2000.

The alleged claim by Westgold arose from a series of share transactions in the Company shares which took place between May and August 1997 as follows:

- On 12 May 1997, Westgold purchased 10,350,000 St Barbara shares at \$0.72 per share from Mr Woss who was a director of the Company at the time ("Woss Shares"). This share purchase took the total shares owned in the Company by Westgold to 23,898,951 (approximately 13% of the Company equity at the time) at a total cost of \$18.4 million.
- On 9 July 1997, Westgold sold all of its shareholding in the Company (which included the Woss Shares) to Montleigh Investments Pty Ltd, a company associated with Mr Ross Atkins who was a director of the Company at the time. The total sale consideration was \$19.1 million. Approximately \$8.4 million of the sale consideration was due to be paid by 30 June 1998. During 1998, Montleigh Investments Pty Ltd defaulted on payment of the deferred consideration and Westgold recovered \$1.6 million of the deferred consideration.

In these proceedings Westgold has sought to recover the balance of the deferred consideration plus interest from the Company and Mr Woss.

The main components of Westgold's statement of claim against the Company in this Supreme Court Action are as follows:

- An alleged breach of section 1001A(2) of the Corporations Act in that the Company allegedly contravened the ASX Listing Rules by failing to notify the ASX of information alleged to have been known to it on or before 30 April 1997 (being a date prior to Westgold's purchase of the Woss Shares). It is Westgold's contention that certain information, if published, was information that a reasonable person would expect to have a material effect on the price or value of the Company's shares.
- An alleged contravention of the previous section 995(2) of the Corporations Law (being a misleading or deceptive statement made in relation to securities in the legislation prior to the

current Corporations Act) which Westgold allege to have occurred by public releases made on or about 30 April 1997. Westgold allege that these public releases represented that, save for certain matters, the Company's operations were proceeding satisfactorily and with record levels of gold production in the ordinary course of operations and that there were no further adverse factors affecting or likely to affect the Company's operations or financial position. Westgold's contention is that this was misleading and deceptive in that, in its contention:

- the Company's operations were not proceeding satisfactorily and the Company had not overcome and was not overcoming operational and financial difficulties from which it had suffered;
- there were many adverse factors affecting and likely to affect the Company's operations and financial position;
- the record production level in the relevant quarter was the result of an abnormal occurrence;
- the Company was aware of a reason or factor which likely would preclude the establishment of a viable mining operation at certain of the Company's tenements and which likely would require revision of the Company's published gold reserves for those tenements.

All of these allegations are denied by St Barbara and the claim is being robustly defended. St Barbara have joined all of the directors who were directors of St Barbara at the time to the action.

An important issue concerns the Company's insurance arrangements. The Company was insured during the relevant period for directors' and officers' liability of the nature in respect of which the Westgold proceedings have been issued, however, uncertainties currently exist as to whether or not this insurance cover will be available to the Company in the event that it is unsuccessful in this litigation as the insurer is denying policy liability.

The best case scenario for the Company is to be wholly successful in its defence and thereby have no liability. The maximum possible liability for the Company (without any contribution from former directors, insurers or insurance brokers) would be for the entire loss alleged by Westgold (being approximately \$7.5 million plus interest to the date of judgement calculated at 8%, together with legal costs). The Company intends, as part of its defence, to argue that should it be found liable (which it denies) then certain contribution orders should be made in relation to third parties and that, in addition, the Company is of the view that Westgold must, in any event, apportion any loss it incurred as between the sale of the Woss Share and other St Barbara shares held by Westgold

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

which were sold simultaneously with the Woss Shares. An unsuccessful party will usually also be liable for its own and the other party's legal costs.

The matter is yet to be entered for trial.

The Company has incurred legal costs to date in the order of \$600,000. It is possible that the Westgold litigation may not proceed to trial for a further twelve months, in which case, the Company in defending this action may incur further legal costs in the order of \$750,000 to \$1 million, which costs could escalate in the event that costs were awarded against the Company or the trial judge's decision were to be appealed. It should be emphasised that none of the current directors of the Company were directors of the Company at the time that the above share transactions took place.

(ii) Kingstream

On 2 July 2002, Kingstream Steel Limited (Subject to Deed of Company Arrangement) commenced proceedings in the Supreme Court of Western Australia against the Company and Zygot Ltd. Kingstream alleges it has a claim against the Company and Zygot Ltd arising from the withdrawal of three mining lease applications, which applications are alleged to be part of the subject matter of an Option Deed between the Company and Kingstream dated 26 March 1997 as supplemented by a Deed dated 20 January 1998 and a letter dated 29 January 1999 from the Company's lawyers to Kingstream. Kingstream exercised the option in February 1999.

Kingstream alleges in essence that the Company and Zygot Ltd breached the express or implied terms of the Option Deed by causing or allowing the MLA's to be withdrawn.

The proceedings are at an early stage and have been, and will continue to be, defended. However, on the basis of expert advice received the Company considers its potential exposure in relation to this claim to have a value (including costs) of less than \$200,000.

29. COMMITMENTS FOR EXPENDITURE

(a) Exploration

In order to maintain rights of tenure to mining tenements, the consolidated entity is required to outlay in 2003/04 for tenement rentals and minimum exploration expenditure requirements of the Western Australian Department of Minerals and Energy. This commitment in 2003/04 will continue for future years with the amount dependent upon tenement holdings

(b) Hire Purchase Commitments

Analysis of hire purchase commitments:

- Payable not later than one year (refer Note 17)
- Payable later than one year,
not later than five years (refer Note 17)

Consolidated		Company	
30 June 2003	30 June 2002	30 June 2003	30 June 2002
\$'000	\$'000	\$'000	\$'000
9,361	9,181	8,114	7,855
1,133	1,285	1,133	1,285
1,528	2,893	1,528	2,893
2,661	4,178	2,661	4,178

These commitments relate to plant and equipment and are based on the cost of the vehicles and are payable over a period of up to 48 months.

(c) Finance Lease Commitments

Analysis of finance lease commitments:

- Payable not later than one year
- Payable later than one year, not later than five years
- Deduct future charges on finance leases
- Provide for as a liability

1,368	1,395	1,368	1,395
855	2,299	855	2,299
(205)	(622)	(205)	(622)
2,018	3,702	2,018	3,702

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FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
Representing lease liabilities:				
Current (refer Note 17)	2,018	3,072	2,018	3,072
Lease payments are based on the cost of the equipment. At 30 June 2003, the Company has the option to purchase the equipment upon a residual payment of \$440,000.				
Analysis of Non-Cancellable Operating Lease Commitments	371		371	
Payable not later than one year	-	408	-	408
Payable later than one year, not later than two years	-	204	-	204
Payable later than two years, not later than five years	-	-	-	-
	371	612	371	612

The non-cancellable operating lease commitments are the net rental payments associated with rental properties. A provision for excess lease space, refer to Note 18, has been recognised on the statement of financial position.

30. EMPLOYEES

(a) Employment Benefit Liabilities

Provision for employee benefits and directors' benefits and related on-cost liabilities

- Current (Note 18)	869	1,000	869	1,000
- Non-current (Note 18)	180	108	180	108
	1,049	1,108	1,049	1,108

(b) Number of Employees

Number of employees at financial year end

Number 2003	Number 2002	Number 2003	Number 2002
66	116	66	116

(c) Superannuation

The Company participates in an "accumulation" superannuation plan under which all employees are entitled to lump sum benefits on retirement, disability or death. The Company contributes various percentages of wages and salaries to the plan. The contributions made are legally enforceable. No actuarial assessment of the plan has been made as such assessments are inappropriate to an "accumulation" plan. The assets of the plan are sufficient to satisfy all benefits that have vested under the plan in the event of its termination, or in the event of voluntary or compulsory termination, of the employment of each employee.

employees can exercise these options at any time after they have been issued. These options are automatically cancelled when the employee leaves the Company. Details of options on issue under this ESOP are set out in Note 20(c) (iii). No new options will be issued under this ESOP.

(d) Employee Share Option Plan

Shareholders approved an Employee Share Option Plan on 20 October 1995 ("ESOP"). This ESOP entitles management who meet incentive objectives to apply for options to purchase shares in the Company. There is no vesting period for these options and accordingly

(e) Employee Option Plan

Shareholders approved an Employee Option Plan on November 2001. A total of 1,775,000 options were issued under this plan on 17 January 2003 to eleven employees. There is no vesting period for these options and accordingly employees can exercise these options at any time after they have been issued. These options are automatically cancelled when the employee leaves the Company. Details of the options on issue at 30 June 2003 under this plan are set out in Note 20 (c) (iii).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

31. RELATED PARTIES

(a) Directors

The names of persons who were Directors of the Company at any time during each year are as follows:

S. W. Miller
G. B. Speechly
H. G. Tuten
K. A. Dundo

Mr J.T. McClements resigned as an alternative director to Mr H.G. Tuten on 10 July 2003.

(b) Remuneration and Retirement Benefits

Information on remuneration and retirement benefits of Directors is disclosed in Notes 24 and 25 respectively.

(c) Loans to Directors and Director-Related Entities

There were no loans to Directors of entities in the consolidated entity and their Director-related entities during each of the years ended 30 June 2003 (2002: nil)

(d) Other Transactions with Directors of the Company and their Director-Related Entities

The aggregate amounts brought to account in respect of the following types of transactions with Directors of entities in the consolidated entities and their Director related entities were:

	Notes	Consolidated and Company	
		30 June 2003	30 June 2002
		\$	\$
S. W. Miller		-	-
G.B. Speechly		-	-
K.A. Dundo	⁽¹⁾	212,493	887,227
H.G. Tuten	⁽²⁾	3,249,142	2,291,918

⁽¹⁾ Paid to Clayton Utz for legal services. Mr Dundo was a partner of Clayton Utz.

⁽²⁾ Paid to RCF by way of issuance of shares and options as required under the RCF Facility. Mr Tuten is the Chairman of RCF Management L.L.C. the management company of RCF.

(e) Transactions of Directors and Director-Related Entities Concerning Shares or Share Options

Relevant interests in shares and options of the Company held by Directors of the Company and consolidated entity or their Director-related entities in the Company:

	Consolidated and Company	
	30 June 2003	30 June 2002
	\$	\$
	Number	Number
Ordinary Shares – fully paid		
Directors:		
S. W. Miller ⁽¹⁾	-	-
G. B. Speechly	20,000	20,000
K. A. Dundo	100,000	100,000
H. G. Tuten ⁽²⁾	-	-
Connected Persons:		
Strata Mining Corporation Limited ⁽¹⁾	32,200,000	36,200,000
RCF ⁽²⁾	18,146,163	9,411,227

⁽¹⁾ Mr S.W. Miller is a director and shareholder of Strata Mining Corporation Limited which holds a relevant interest in the ordinary share capital of St Barbara.

⁽²⁾ Mr H.G Tuten is the Chairman of RCF Management L.L.C., the management company of RCF.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

OPTIONS

Directors:	Date of Grant	Shares under Option	Exercise Price (\$)	Expiry
S.W. Miller	23 Dec 1999	2,500,000	\$0.25	23 Dec 2004
		2,500,000	\$0.35	23 Dec 2004
		2,500,000	\$0.45	23 Dec 2004
		<u>10,000,000</u>	\$0.40	31 Dec 2004
		17,500,000		
G.B. Speechly	30 Nov 2001	500,000	\$0.40	31 Dec 2004
K.A. Dundo	-	-	-	-
H.G. Tuten ⁽¹⁾	-	-	-	-
Connected Persons:				
RCF ⁽¹⁾	12 Feb 2002	157,938	\$0.2125	7 Feb 2005
	5 Mar 2002	373,893	\$0.2125	5 Mar 2005
	2 April 2002	449,638	\$0.2125	2 April 2005
	17 May 2002	470,589	\$0.2125	20 May 2005
	17 May 2002	36,118	\$0.2086	20 May 2005
	4 June 2002	499,597	\$0.2125	3 June 2005
	4 June 2002	50,894	\$0.2086	3 June 2005
	4 June 2002	88,680	\$0.2124	3 June 2005
	15 July 2002	483,482	\$0.2125	15 July 2005
	15 July 2002	49,252	\$0.2086	15 July 2005
	15 July 2002	241,854	\$0.2124	15 July 2005
	13 Aug 2002	499,597	\$0.2125	13 Aug 2005
	13 Aug 2002	50,894	\$0.2086	13 Aug 2005
	13 Aug 2002	249,917	\$0.2124	13 Aug 2005
	6 Sept 2002	499,597	\$0.2125	6 Sep 2005
	6 Sept 2002	50,894	\$0.2086	6 Sep 2005
	6 Sept 2002	249,917	\$0.2124	6 Sep 2005
	15 Oct 2002	483,482	\$0.2125	15 Oct 2005
	15 Oct 2002	49,252	\$0.2086	15 Oct 2005
	15 Oct 2002	241,854	\$0.2124	15 Oct 2005
20 Feb 2003	1,000,000	\$0.1100	31 Dec 2005	
7 Jan 2003	1,482,677	\$0.2125	7 July 2006	
7 Jan 2003	151,040	\$0.2086	7 July 2006	
7 Jan 2003	741,686	\$0.2124	7 July 2006	
7 Jan 2003	<u>3,177,890</u>	\$0.1138	7 July 2006	
		<u>11,830,632</u>		

⁽¹⁾ Mr Tuten is the Chairman of RCF Management L.L.C., the management company of RCF.

The options granted to RCF were in consideration for facility fees. All other options were granted for no consideration by the Company. There are no voting, conversion or dividend rights related to these options.

(f) Transactions with entities in the wholly owned group

St Barbara Mines Limited is the parent entity in the wholly owned group comprising the Company and its wholly owned subsidiaries.

During the year the Company advanced loans of \$229,776 (2002: \$709,530) to entities in the wholly owned group. Repayments and advances were received of \$99,000 (2002: \$9,243,788) from entities in the wholly owned group. The Company provided accounting and administrative assistance free of charge to all its wholly owned subsidiaries.

Loans payable to and advanced from wholly owned subsidiaries to the Company are interest free.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

(g) Transactions with non-wholly owned entities in the consolidated entity

The Company provides funding to Taipan Resources NL, a controlled entity but not wholly owned, as follows:

	30 June 2003 \$'000	30 June 2002 \$'000
Balance at beginning of financial year	4,877	-
- net funding advanced for exploration and all other activities on normal commercial terms	2,842	4,647
- cost of shares issued by the Company to PKKP for Native Title Agreement	616	-
- funding advanced for repayment of convertible note	7,372	-
- interest	1,141	230
	<u>16,848</u>	<u>4,877</u>

The amount owing by Taipan is secured, and bears interest at 10% per annum.

(h) Amounts receivable from and payable to entities in the wholly owned group and controlled entities

	Consolidated	
	30 June 2003 \$'000	30 June 2002 \$'000
Aggregate amounts receivable at balance date from:		
Non-current:		
Controlled entities	16,848	4,877
Entities in the wholly owned group	2,752	2,621
Less provision for doubtful receivables	(1,360)	(1,269)
	<u>18,240</u>	<u>6,229</u>
Aggregate amounts payable at balance date to:		
Non-current:		
Entities in the wholly owned group	11,484	11,513

(i) Amounts receivable from Director Related entities

At 30 June 2003, the Company had a receivable of \$1,067,000 (2002: nil) owing by Defiance Mining Corporation. Mr S. Miller and Mr K. Dundo were appointed Directors of Defiance Mining Corporation on 25 June 2003. All of these funds were received after 30 June 2003.

3.2. INVESTMENTS IN CONTROLLED ENTITIES

The consolidated entity consists of the Company and its wholly owned controlled entities as follows.

	Class of Shares	Equity Holding		Cost of Company's Investment	
		June 2003 %	June 2002 %	June 2003 \$'000	June 2002 \$'000
Australian Eagle Oil Co. NL	Ordinary	100	100	179	179
St Barbara Pastoral Co. Pty Ltd	Ordinary	100	100	-	-
Capvern Pty Ltd	Ordinary	100	100	-	-
Eagle Group Management Pty Ltd	Ordinary	100	100	-	-
Murchison Gold Pty Ltd	Ordinary	100	100	-	-
Kingkara Pty Ltd	Ordinary	100	100	-	-
Oakjade Pty Ltd	Ordinary	100	100	-	-
Regalkey Holdings Pty Ltd	Ordinary	100	100	-	-
Silkwest Holdings Pty Ltd	Ordinary	100	100	-	-
Sixteenth Ossa Pty Ltd	Ordinary	100	100	-	-
Vafitu Pty Ltd	Ordinary	100	100	-	-
Zygot Limited	Ordinary	100	100	-	-
Taipan Resources NL	Ordinary	88.3	88.3	20,537	20,537
Bushsun Pty Ltd*	Ordinary	88.3	88.3	-	-
				<u>20,716</u>	<u>20,716</u>

*100% subsidiary of Taipan Resources NL

- Each company in the consolidated entity was incorporated in Australia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
33. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES				
Operating loss after income tax	(32,985)	(18,049)	(27,935)	(20,447)
Write down FITB	2,965	-	2,965	-
Depreciation and amortisation	2,750	2,044	2,706	1,884
Development mining expenses	-	(35,201)	-	(35,401)
Mining properties change in accounting policies	9,897	-	2,546	-
Amortisation and write down of mining expenses	15,641	28,176	15,641	28,176
Provision for diminution in investments	-	-	4,081	-
Write down of exploration tenements	-	3,381	-	3,381
(Profit)/loss on sale of tenements	-	(24)	-	176
Write down of feasibility studies	-	924	-	924
(Profit) on sale of property, plant and equipment	(798)	(2,336)	(798)	(2,336)
(Profit)/loss on sale of shares	-	(9,221)	-	(5,709)
Borrowing expenses paid with shares	1,015	1,000	1,015	1,000
Convertible note borrowing cost	1,337	-	1,337	-
Interest on Taipan loan account	-	-	(1,141)	(230)
Convertible note interest	303	669	-	-
Issuance of options in lieu facility fees	1,529	430	1,529	430
Changes in assets and liabilities:				
- (Increase)/decrease in trade and other debtors	969	(1,185)	621	(952)
- Decrease/(increase) in inventories	887	1,159	887	1,159
- Decrease/(increase) in other assets	172	377	145	377
- Increase in trade and other creditors, employee entitlements and provisions	(4,236)	4,835	(4,338)	5,237
Net cash inflow from operating activities	(554)	(23,021)	(739)	(22,331)

NON-CASH FINANCING AND INVESTING ACTIVITIES

The following transactions occurred which affected assets and liabilities which are not reflected in the Statements of Cash Flows.

Year ended 30 June 2002

The issue of 9,411,227 fully paid ordinary shares at \$0.2125 per share to RCF in satisfaction of the RCF Facility fee.

Year ended 30 June 2003

The issue of 8,734,436 fully paid ordinary shares at various prices ranging from \$0.2263 to \$0.0843 to RCF in satisfaction of the RCF Facility fee and interest. See Note 21.

34. FINANCING FACILITIES

Other than as set out in Note 17(iii) regarding the RCF Facility, neither the Company nor the consolidated entity have access to lines of credit that were unutilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

35. EARNINGS PER SHARE

	Consolidated	
	30 June 2003	30 June 2002
	cents/share	cents/share
Basic and diluted loss per share	(8.00)	(7.83)
	\$'000	\$'000
Retained (loss) for the year used in the calculation of basic earnings per share	(32,773)	(17,894)
	Number	Number
Weighted average number of fully paid ordinary shares on issue during the year used in the calculation of basic earnings per share	409,326,900	228,375,474

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

36. EVENTS SUBSEQUENT TO 30 JUNE 2003

Since 30 June 2003 the following has occurred:

- On 3 July 2003, the Company sold all of its 44,400,000 shares held in Dioro Exploration NL, receiving net proceeds of \$4,984,000 resulting in a profit on sale of \$93,000. As a result of the sale of the shares, the proceeds were used to reduce the debt facility with RCF by \$5,000,000.
- On 7 July 2003, the Company issued 15,910,922 fully paid ordinary shares at \$0.0374 per share to RCF in satisfaction of interest on the debt facility.
- On 7 July 2003, the Company issued the following options with an expiry date of 7 January 2007 to RCF in satisfaction of the monthly facility fee:
 - 5,834,004 options exercisable at \$0.2125;
 - 594,308 options exercisable at \$0.2086;
 - 2,918,376 options exercisable at \$0.2124; and
 - 17,430,243 options exercisable at \$0.1138.
- On 10 July 2003, the Company announced that the convertible note and convertible loan held by Ocean Resources Capital Holdings Limited had been restructured effective 19 June 2003. Under the new arrangement, the existing convertible note and convertible loan are replaced with a convertible loan with a face value of \$7.2 million and a new conversion price of \$0.08. The financial effect of this transaction has been brought to account at 30 June 2003.
- On 10 July 2003, the Company announced that Mr James McClements had resigned as alternate director to Mr Hank Tuten due to other work commitments.
- On 22 September 2003, the Company announced that RCF has agreed to convert its remaining debt (\$7.0 million) into equity at \$0.08 per share, thereby extinguishing all secured debt from the Company's balance sheet. The debt to equity swap by RCF, including a modification fee of 4.5 million shares, will result in the issue to RCF of 92 million shares at \$0.08 per share, taking its shareholding from 7.9% to approximately 23% of an enlarged capital base. The transaction is subject to shareholder approval at the Annual General Meeting. The transaction is also subject to RCF obtaining various approvals including the Foreign Investment Review Board. In addition, the Company will restructure the Board to consist of five Board members; to include two nominees of RCF and a new non-executive Chairman. Should this transaction be approved by shareholders at the Annual General Meeting, the consolidated entity's current liabilities will reduce by \$7.0 million. Should the transaction not be approved by shareholders the \$7.0 million owing to RCF will be repayable on 30 November 2003.
- On 25 September 2003, the Company announced the placement of up to 12 million fully paid ordinary shares at \$0.08 per share for working capital to raise up to \$960,000 before expenses.
- On 30 September 2003, the Taipan entered into an unsecured convertible note with Claymore Capital Pty Ltd for \$1.0 million. The note is convertible into fully paid ordinary shares of either the Company at \$0.08 per share or of Taipan at \$0.065 per share. The note is repayable on or before 30 September 2004 and bears interest at 13.5%.

Unless stated otherwise, the financial effects of the above transactions have not been brought to account at 30 June 2003.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

37. RECONCILIATION OF AUSTRALIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES TO INTERNATIONAL ACCOUNTING STANDARDS

The financial statements are prepared in accordance with Australian Generally Accepted Accounting Principles ("GAAP"), which differs in certain respects from International Accounting Standards ("IAS"). The approximate effect of applying IAS for the two years ended 30 June 2003, where IAS are materially different to GAAP, is set out below.

	Consolidated	
	30 June 2003 \$'000	30 June 2002 \$'000
Net (loss) attributable to members of the Company under GAAP	(32,733)	(17,894)
Adjustments required under IAS	(8,571)	-
Net (loss) according to IAS	(41,304)	(17,894)
Equity under GAAP	37,973	82,900
Accounting for impairments of assets	(8,571)	-
Accounting for investments in available-for-sale securities	(229)	1,284
Accounting for derivative instruments	-	(200)
Equity under IAS	29,173	83,984

Accounting for income taxes

Under IAS 36 "Impairment of Assets" the consolidated entity is required to record an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount.

Recoverable amount is measured as the higher of the net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction and value in use is the present value of estimated future cash flows expected to arise from continued use and disposal at the end of its useful life. As a result of this treatment the consolidated entity is required to take an after tax write down of \$8.6 million for the year ended 30 June 2003.

Accounting for income taxes

Under IAS deferred tax balances are calculated based on the difference between the tax base of the asset and the carrying amount of the asset. As a result of this treatment, at 30 June 2003, a deferred tax liability of \$7.2 million (2002: \$11.4 million) would be recognised in relation to the carrying value of exploration, evaluation and development expenditure acquired in the Taipan acquisition which has no tax base. This would also result in an increase of \$7.2 million (2002: \$11.4 million) in exploration, evaluation and development expenditure acquired. This adjustment has no impact on net profit or net assets of the consolidated entity.

Accounting for investments in available for sale securities

Under IAS 39 "Financial Instruments: Recognition and Measurement" the consolidated entity is required to classify

investments in securities as "held to maturity", "held for trading" and "available-for-sale". The investments held by the consolidated entity are classified as available-for-sale and carried at fair value with unrealised gains and losses reported in equity and recycled to the Statement of Financial Performance when sold or impaired.

Accounting for derivative instruments

With the adoption of IAS 39 "Financial Instruments: Recognition and Measurement" on 1 July 2001, the consolidated entity is required to measure its financial instruments at fair value. As the consolidated entity's financial instruments are hedges, the changes in fair value would be deferred through equity until the hedged transaction occurs and subsequently released to the Statement of Financial Performance. There is no impact for the year ended 30 June 2003 for this accounting treatment (2002: \$0.2 million). This adjustment has no impact on the net profit of the consolidated entity.

Accounting for rehabilitation and restoration costs

Under IAS rehabilitation and restoration costs incurred during production and after production stops, should be accrued when the liability is incurred. As a result of this treatment no additional provision for rehabilitation would be recognised at 30 June 2003 (2002: \$450,000). In 2003 this would have resulted in a corresponding increase in deferred development expenditure in the production phase. This adjustment has no material impact on net profit or net assets of the consolidated entity.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2003

DIRECTORS' DECLARATION

In the opinion of the Directors of St Barbara Mines Limited:

1. the financial statements and notes as set out on pages 27 to 60 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Company and the consolidated entity's financial position as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
 - (b) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made and signed in accordance with a Resolution of Directors and is signed for and on behalf of the Directors by:



STEPHEN W. MILLER
Executive Chairman

Dated at Perth this 30th day of September 2003



**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
ST BARBARA MINES LIMITED**

PricewaterhouseCoopers
ABN 52 780 433 757

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250 St Georges Terrace
PERTH WA 6000
GPO Box D198
PERTH WA 6840
DX 77 Perth
Australia
www.pwcglobal.com/au
Telephone +61 8 9238 3000
Facsimile +61 8 9238 3999

Audit opinion

In our opinion, the financial report of St Barbara Mines Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of St Barbara Mines Limited and the St Barbara Mines Limited Group (defined below) as at 30 June 2003, and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

Accounting principles generally accepted in Australia vary in certain respects from international accounting standards. An explanation of the major differences between principles generally accepted in Australia and international accounting standards is presented in note 37 on page 60 to the financial statements. The application of the international accounting standards would have affected the determination of consolidated net profit for the year ended 30 June 2002 and consolidated equity as at 30 June 2003 to the extent summarised in note 37.

This opinion must be read in conjunction with the rest of our audit report.

Inherent uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter.

As a result of matters described in note 1, there is significant uncertainty whether St Barbara Mines Limited will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both St Barbara Mines Limited (the company) and the St Barbara Mines Limited Group (the consolidated entity), for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

AUDITORS' REPORT

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

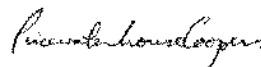
When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

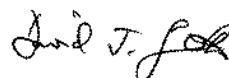
Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



PricewaterhouseCoopers



David J Smith

Partner

Perth

30 September 2003

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)

STATEMENT OF SHAREHOLDERS

AS AT 30 SEPTEMBER 2003

Twenty Largest Shareholders

	Shares held	% of total
1. Westpac Custodian Nominees Limited	61,658,409	14.290
2. National Nominees Limited	47,109,430	10.918
3. Resource Capital Fund II LP	34,057,085	7.893
4. Strata Mining Corporation Limited	32,200,000	7.462
5. Toto Capital Inc	14,000,000	3.244
6. ANZ Nominees Limited	13,189,081	3.056
7. JP Morgan Nominees Australia Limited	7,524,540	1.743
8. Yamatji Marlpa Barna Baba Maaaja Aboriginal Corporation	5,600,000	1.297
9. HSBC Custody Nominees (Australia) Limited	4,774,274	1.106
10. Tricom Nominees Pty Limited	3,510,000	0.813
11. Miroma Investment Inc	2,737,449	0.634
12. Citicorp Nominees Pty Limited	2,550,359	0.591
13. Balcony Developments Pty Ltd	1,948,400	0.451
14. Mr Ritesh Mistry	1,720,000	0.398
15. Ofex Register	1,682,497	0.389
16. Mr Keith William Sheppard	1,550,000	0.359
17. Kanaird Investments Pty Ltd	1,230,000	0.285
18. Wuudee Australia Pty Ltd	1,200,000	0.278
19. Mr Koichi Sugimura	1,200,000	0.278
20. Mr Yoshihito Koguchi	1,102,439	0.255
	240,543,963	55.73%

Substantial Shareholders	Shares held	% of total
RAB Europe Fund Ltd	45,000,000	10.430
St James's Place Recovery Unit Trust	40,430,000	9.370
Resource Capital Fund II LP	34,057,085	7.893
Strata Mining Corporation Limited	32,200,000	7.462

Distribution of Shareholdings

Number held	Number of shareholders	Number of Shares
1 – 1,000	3,620	2,188,577
1,001 – 5,000	3,836	9,930,372
5,001 – 10,000	1,352	11,260,031
10,001 – 100,000	2,425	86,833,820
100,001 – and over	344	321,251,425
Total	11,577	431,464,225

The number of shareholders holding less than a marketable parcel was 7,568.

Directors' Interests

As at the date of the Directors' Report, the direct or indirect interest of each Director of the Company in the issued securities of the Company, or in a related corporation, was as follows:

	Shares held
S. W. Miller	32,200,000
K. A. Dundo	100,000
G. B. Speechly	20,000
H. G. Tuten	34,057,085

SHAREHOLDER ENQUIRIES

Matters related to shares held, change of address and tax file numbers should be directed to:

Australia:

Advanced Share Registry Services
Level 7, 200 Adelaide Terrace
Perth WA 6000

Telephone:+61 8 9221 7288

Facsimile:+61 8 9221 7869

United Kingdom:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
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ADR Division
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Level 19, QV1
250 St George's Terrace
Perth, Western Australia, 6000

Solicitors

Tottle Partners
Level 1
181 St George's Terrace
Perth, Western Australia, 6000

Bankers

Commonwealth Bank of Australia
150 St George's Terrace
Perth, Western Australia, 6000

ST BARBARA MINES LIMITED

ABN 36 009 165 066

Board of Directors and Executive Management

S. W. Miller	Executive Chairman
K. A. Dundo	Non-Executive Director
G. B. Speechly	Non-Executive Director
H. G. Tuten	Non-Executive Director
A. D. Rule	Chief Financial Officer and Company Secretary

Registered Office

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