



ST BARBARA MINES LIMITED

20 September 2004

Manager
Australian Stock Exchange Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir

Re: Divestment of Substantial part of Investment in NuStar Mining Corporation Limited

The new Board of St Barbara Mines Limited has completed a review of the financial position and operations of the Company and as a consequence has decided to divest a substantial part of its shareholding in Nustar Mining Corporation Ltd (Nustar).

Claymore Capital Pty Ltd (Claymore) has been appointed to assist the Company with four separate but interrelated transactions in relation to Nustar:

- (a) an initial sale of 100 million Nustar shares to third parties at not less than A\$0.04 per share within seven business days
- (b) the sale of the Paulsens 5% royalty owned by the Company to Nustar for not less than \$5.1 million and the sale of the Company's interest in the Pelican Joint Venture (adjacent to Paulsens) to Nustar
- (c) the grant of an option to Claymore (or its nominees) to purchase 100 million Nustar shares at AUD\$0.05 per share at any time up to three months after the initial sale
- (d) a Share Swap of Nustar shares for Company shares on the basis of 1.25 Nustar shares for each Company share. The Company intends to offer a maximum of 240 million Nustar shares and to cancel the Company shares received through the Share Swap by way of a capital reduction. Should more shareholders wish to accept the Share Swap than the number of Nustar shares available, then shareholder acceptances will be scaled back on a pro rata basis.

The transactions described in (b) and (d) are subject to shareholder approval and the completion of an independent expert's report. Shareholders will be asked to approve these transactions at the company's AGM to be held in late November 2004 subject to all necessary statutory procedures being completed within this time.

LEVEL 2, 16 ORD STREET, WEST PERTH

POST OFFICE BOX 1161, WEST PERTH, WESTERN AUSTRALIA 6872

TELEPHONE + 61 8 9476 5555 FACSIMILE + 61 8 9226 1853

EMAIL perth@stbarbara.com.au ACN 009 165 066

As a consequence of the above transactions, the Company will:

- immediately retire an existing secured debt of \$3.5 million
- have cash of approximately \$8 million after payments to creditors and other liabilities
- retain approximately 102 million Nustar shares or just over 10% of the issued capital
- have reduced the issued capital of St Barbara from 715 million shares to 523 million shares, should the maximum of 240 million Nustar shares be swapped.

In addition to the above transactions, the Company has:

- commenced a comprehensive review and data compilation of the Paddy's Flat tenements (100% owned) in the Meekatharra region
- reviewed the Aurogenic and Elara joint ventures which require the joint venture partners to spend approximately \$6.5 million during the coming twelve months
- entered into negotiations with a third party for the use of the Blue Bird plant at Meekatharra which will at least cover the care and maintenance costs while the operations are suspended.

Yours faithfully



Eduard Eshuys
Managing Director and CEO
(08) 9476 5555

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