



## St Barbara Mines Limited

### ASX SHAREHOLDERS REPORT

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## Preliminary Financial Results 2004/05

- Net profit for 2005 of \$0.6M (compared with net loss for 2004 of \$24.3M) and was derived after:
  - Non-cash charges of \$3.5M
  - Exploration expenditure of \$6.5M expensed in line with policy.
- Revenues up 108% on 2004 to \$67.5M.
- Gold sales of 83,646ozs, at a cash cost of \$341/oz; derived from gold operations acquired on 28 March 2005.
- Cash at bank as at 30 June 2005 was \$16.27M with additional \$11.8M cash securing environment performance bonds.

### Subsequent Events

#### ➤ Sale of Shares

On 27 July 2005, the Company sold its remaining shares in NuStar Mining Corporation Limited and Sedimentary Holdings Limited for a combined total of \$6.0M and net profit of \$100,000.

#### ➤ Gold Operations

On 26 July, the Company announced its decision to proceed with open pit mining at Hercules, 12km to the south of the Marvel Loch mill. On 9 August, the Company announced a JORC compliant reserves upgrade for Hercules of Probable Reserves 3.2Mt @ 2.5g/t gold for 180,000oz of gold. Together with continuing production from underground mining at Marvel Loch, revised forecast production for the financial year is 150,000oz at an estimated cash cost of \$415/oz at the Southern Cross operations.

#### ➤ Capital Management

On 26 July 2005, the Company announced:

- An on-market buy-back of up to 10% of its capital over the next 12 months in accordance with ASX guidelines; and
- Sale of unmarketable parcels of shares, unless holders of unmarketable parcels of shares notify the Company in writing of their intention to hold their shares, by 5pm WST 23 September 2005.

**Eduard Eshuys**  
Managing Director & CEO

31 August 2005

**Financial details in the form of Appendix 4E are attached.**

## **Financial Review**

The focus throughout the year has been on restructuring business activities through divestment and acquisitions to generate positive cash flows. During the first half of the year, the key events were the sell down of NuStar Mining Corporation Limited ("NuStar") shares and the sale of the Paulsen's Royalty to NuStar for \$5.1M. During the second half of the year, gold operations acquired at the end of the March 2005 quarter contributed strongly to operating cashflows and profitability. The cash position of the chief entity improved significantly to \$16.2M as at 30 June 2005.

## **Financial Performance**

The net profit for the year of \$0.6M represents a substantial improvement from the net loss reported in the year ended 30 June 2004 of \$24.3M.

Gold revenue from operations of \$46.6M was significantly higher than gold revenue from operations in the previous year of \$22.0M. The recently acquired gold operations at Southern Cross and South Laverton generated production of 83,646ozs at a cash cost of \$341/oz for revenue of \$46.4M during the June 2005 quarter. The net cash cost of \$341/oz reflected higher grades than forecast, reduced unit costs and improved mining productivity. Gold production in fiscal year 2004 was derived from the Meekatharra operations.

The weighted average price realised price per ounce of \$557 was up from \$546/oz achieved in 2004.

Earnings before interest, tax, depreciation, amortisation and write downs increased significantly to \$2.7M (2004: \$11.6M loss).

Other revenue of \$20.9M includes \$5.1M realised on the sale of the Paulsen's Royalty in the December 2004 half year, \$9.7M realised on the sale of shares in NuStar to third parties and deemed revenue of \$3.9M on accepting a share swap offer from Sedimentary Holdings Limited ("Sedimentary") for 69.4M NuStar shares and \$0.5M from the sale of cattle and other items of equipment on the Company's pastoral leases which were sub-let to a third party in the December 2004 quarter.

Interest costs of \$0.5M (2004: \$4.0M) reduced significantly as a consequence of the Company repaying its secured debt in October 2004 and remaining debt free up to 29 March 2005 when \$7M was drawn down on a facility provided by Resource Capital Funds III LP to assist with financing the acquisition of the Gold Division of Sons of Gwalia Ltd (Administrators Appointed) ("SGWGD").

## **Cashflow Statement**

Cash at the end of the year for the chief entity was \$16.2M cash at bank plus \$11.8M cash backing of environmental performance bonds. This compares favourably with a cash balance for the chief entity, excluding NuStar which was deconsolidated during the year, as at 30 June 2004 of \$1,000. During the year the Company raised capital of \$4.1M for working capital. This equity was all raised during the first half of the financial year.

Key sources of cashflow included:

	<b>\$'M</b>
- capital raisings	4.1
- proceeds from sale of NuStar shares to 30 June 2005	9.7
- Sale of Paulsens royalty	5.1
- proceeds from borrowing (RCF convertible loan)	7.0
- net operating cash flows from acquired gold operations during June 2005 quarter	17.4

## Financial Position

The following illustrates the key events that impacted on the Company's shareholders' equity during the financial year:

	<b>\$'000</b>
Profit for the year	590
Capital reduction (share swap)	(8,514)
Capital raising	4,072
Debt to equity conversions	5,204
Net impact of deconsolidating NuStar	(18,844)
Total movement in shareholders' equity	(17,492)

A capital management strategy was implemented to reduce the number of shares on issue through offering all shareholders the opportunity to participate in a share buy-back, with NuStar shares being offered as consideration in the ratio of 1.25 NuStar shares for each St Barbara share being bought back. A total of 170M St Barbara shares were bought back and 213M NuStar shares provided as consideration. As a result, the number of shares on issue reduced from 737M to 567M and shareholders' funds reduced by \$8.5M.

## Subsequent Events

### ➤ Sale of Shares

On 27 July 2005, the Company sold its remaining shares in NuStar (6.4%) and Sedimentary (5.5%) for a combined total of \$6.0M and net profit on sale of \$100,000.

### ➤ Gold Operations

On 26 July, the Company announced its decision to proceed with open pit mining of Hercules, 12kms to the south of the Marvel Loch mill Southern Cross. On 9 August, the Company announced a JORC compliant reserves upgrade for Hercules: Probable Reserves 3.2Mt @ 2.5g/t gold for 180,000oz of gold. Together with continuing production from underground mining at Marvel Loch, revised forecast production for the financial year is 150,000oz at an estimated cash cost of \$415/oz.

Carosue Dam operations at South Laverton ceased production in July 2005, according to plan.

### ➤ Capital Management

On 26 July 2005, the Company announced:

- An on-market buy-back of up to 10% of its capital over the next 12 months in accordance with ASX guidelines; and
- Sale of unmarketable parcels of shares, unless holders of unmarketable parcels of shares notify the Company in writing of their intention to hold their shares, by 5pm WST 23 September 2005.







# ST BARBARA MINES LIMITED

ABN 36 009 165 066

## Preliminary Final Report – Appendix 4E

Financial year ended 30 June 2005

### STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2005 A\$'000	30 June 2004 A\$'000
<i>Assets</i>			
<b>Current assets</b>			
Cash assets		16,273	12,849
Receivables		4,767	1,512
Other financial assets		-	188
Inventories		4,448	777
Assets held for resale	2	21,072	58
Other		1,864	630
		<u>48,424</u>	<u>16,014</u>
<b>Non-current assets</b>			
Restricted cash		11,801	3,108
Property, plant and equipment		8,996	4,947
Mining properties		22,135	42,401
		<u>42,932</u>	<u>50,456</u>
<b>Total Assets</b>		<u><b>91,356</b></u>	<u><b>66,470</b></u>
<i>Liabilities</i>			
<b>Current liabilities</b>			
Payables		16,225	6,691
Interest bearing liabilities		1,541	9,832
Provisions		119	751
		<u>17,885</u>	<u>17,274</u>
<b>Non-current liabilities</b>			
Interest bearing liabilities		7,000	75
Provisions		39,111	4,269
		<u>46,111</u>	<u>4,344</u>
<b>Total Liabilities</b>		<u><b>63,996</b></u>	<u><b>21,618</b></u>
<b>Net Assets</b>		<u><b>27,360</b></u>	<u><b>44,852</b></u>
<b>Equity</b>			
Contributed equity		135,053	139,400
Option reserve		2,443	2,443
Accumulated losses	3	(110,136)	(115,835)
Parent entity interest		27,360	26,008
Outside equity interest		-	18,844
<b>Total Equity</b>		<u><b>27,360</b></u>	<u><b>44,852</b></u>

# ST BARBARA MINES LIMITED

ABN 36 009 165 066

## Preliminary Final Report – Appendix 4E

Financial year ended 30 June 2005

### STATEMENT OF CASH FLOWS

	30 June 2005 A\$'000	30 June 2004 A\$'000
<b>Cash Flows from Operating Activities</b>		
Cash receipts in the course of operations (inclusive of goods and services tax where relevant)	44,508	24,684
Payments to suppliers and employees (inclusive of goods and services tax)	(44,939)	(31,712)
Interest received	301	1,343
Borrowing costs paid and gold lease fees	(337)	(2,957)
<b>Net cash flows (used in) operating activities</b>	<b>(467)</b>	<b>(8,642)</b>
<b>Cash Flows from Investing Activities</b>		
Payments in respect of exploration, evaluation and development	-	(5,043)
Payments for property, plant and equipment	(202)	(42)
Cash received from tenements sold	42	1,020
Cash received from investments sold	9,862	4,984
Purchase of Sons of Gwalia Gold Division	(2,874)	-
Cash disposed of on sale of controlled entity	(5,168)	-
Payments for investment in listed securities	(458)	(500)
Cash received from sale of property, plant and equipment	1,146	3,584
Cash received from sale of royalty	3,560	-
<b>Net cash flows provided by investing activities</b>	<b>5,908</b>	<b>4,003</b>
<b>Cash Flows from Financing Activities</b>		
Principal repayments under secured loans	-	(5,000)
Restricted cash	(10,430)	465
Proceeds from borrowings	9,035	4,500
Net proceeds from issue of securities	4,051	20,017
Repayment of borrowings	(4,673)	(3,091)
<b>Net cash flows provided by financing activities</b>	<b>(2,017)</b>	<b>16,891</b>
<b>Net increase in cash</b>	<b>3,424</b>	<b>12,252</b>
Cash at the beginning of the financial year	12,849	597
<b>Cash at the end of the financial year</b>	<b>16,273</b>	<b>12,849</b>

### DIVIDENDS

No dividend has been declared.

# ST BARBARA MINES LIMITED

ABN 36 009 165 066

## Preliminary Final Report – Appendix 4E

Financial year ended 30 June 2005

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

#### 1) Other Revenues from Outside Operating Activities

	30 June 2005 A\$'000	30 June 2004 A\$'000
Proceeds on sale of investments	13,675	5,063
Proceeds on sale of property, plant and equipment	1,562	3,486
Proceeds on sale of royalty	5,100	-
Proceeds on sale of tenements	50	1,020
Interest	397	502
Other	164	389
	<u>20,948</u>	<u>10,460</u>

#### 2) Assets Held for Resale

	30 June 2005 A\$'000	30 June 2004 A\$'000
Investments classified as held for resale	6,105	-
Property, plant and equipment	14,967	58
	<u>21,072</u>	<u>58</u>

Assets held for resale are valued at their estimated fair value.

#### 3) Statement of Accumulated Losses

	30 June 2005 A\$'000	30 June 2004 A\$'000
Accumulated losses at the beginning of the financial period	(115,835)	(91,520)
Net profit/(loss) attributable to members of the consolidated entity	590	(24,315)
Profit on share swap/buy-back	5,109	-
Accumulated losses at the end of the financial period	<u>(110,136)</u>	<u>(115,835)</u>

#### 4) Net Tangible Assets per Share

		30 June 2005	30 June 2004
Net tangible assets	A\$'000	27,360	44,852
Fully paid ordinary shares on issue		566,533,352	574,149,157
Net tangible assets per share	A\$	0.048	0.078

# ST BARBARA MINES LIMITED

ABN 36 009 165 066

## Preliminary Final Report – Appendix 4E

Financial year ended 30 June 2005

### 5) Controlled Entities

On 30 September 2005 the Company sold 100,000,000 shares in NuStar, a company that was previously controlled. As a result of this sale the Company no longer exerts control and ceased to consolidate the results of NuStar from that date.

From 1 October 2004, the investment in NuStar was accounted for in the consolidated financial statements using the equity method of accounting and was carried at cost by the parent entity.

Details of the disposal are set out as follows:

	30 June 2005 A\$'000
Net assets of controlled entity disposed	
Cash	5,168
Restricted cash	1,956
Receivables	1,585
Mining properties	34,463
Property, plant & equipment	172
Creditors, accruals & provisions	(896)
Interest bearing liabilities	(1,082)
	<hr/>
	41,366
Outside equity interest in controlled entity	(18,595)
	<hr/>
	22,771
	<hr/>
Cash proceeds for sale of shares in controlled entity	4,000
Carrying value of equity accounted investment following deconsolidation	18,499
	<hr/>
	22,499
	<hr/>
Loss on subsidiary becoming an associate	(272)

From 17 January 2005, the Company's shareholding in NuStar reduced to 161,254,426 shares, representing 16.3%, and from this date the Company ceased to account for this investment in NuStar using the equity method. The Company's investment was carried at the lower of cost or net realisable value at 30 June 2005.

Subsequent to year end the Company has disposed of all of its shareholding in NuStar.

### 6) Joint Ventures

The Company has interests in the following Joint Ventures:

Agreement	Parties	SBM Current Registered Interest	SBM Current Beneficial Interest
Cornishman Project: Exploration Joint Venture Agreement	Troy Resources NL	51%	51%
Cornishman Project: Mining Joint Venture Agreement	Troy Resources NL	51%	51%
Silver Phantom Joint Venture	Bellriver Pty Ltd	70%	
Copperhead: Joint Venture Agreement	Troy Resources NL	51%	51%

# ST BARBARA MINES LIMITED

ABN 36 009 165 066

## Preliminary Final Report – Appendix 4E

Financial year ended 30 June 2005

### 6) Joint Ventures (continued)

Agreement	Parties	SBM Current Registered Interest	SBM Current Beneficial Interest
South Rankin: Joint Venture Agreement	Comet Resources Limited	75%	75%
Farm-in and Joint Venture	Troy Resources NL	60%	60%
	Aminta Pty Ltd		
Agreement for Sale of Mertondale-Cardinia Project	Navigator Resources Ltd		51% may increase to 60%
	Mazzelli Holdings Pty Ltd		
Melita Joint Venture	Dalrymple Resources NL		Upon completion of the earning period: 60%
Kookynie Joint Venture	Barmingo Pty Ltd	49%	49%
Wilson Creek Heads of Agreement	Dalrymple Resources NL	30%	30% with right to farm in
	Lionore Australia (Wildara) NL		
Farm-in and Joint Venture Agreement for Prospecting Licence 37/4260	Cheperon Gold		Initial interest: 0% Interest upon completion of earn period: 80%
Mt Minnie Joint Venture Heads of Agreement	Anglogold Ashanti Australia Pty Ltd	67.80%	67.80%
Mount Florence Joint Venture	Ian McKenzie Ladyman	0%	51%
	Richard Peter Ladyman		
	Anita Evans		
Wilga Well (West) Exploration Joint Venture Agreement	William Robert Richmond	90%	90%
Gilbert's Bore Joint Venture Agreement	Total Mineral Resources NL	90%	90% (after purchase of additional 20%)
Phantom Well Exploration Joint Venture Agreement	Peter Campbell Bowden Kelly	0%	Right to earn 60%
	Ian David Hadfield		
Yerilla Joint Venture	Vulcan Resources NL	0%	Right to farm in and earn 75%
Yarri Joint Venture	Aurora Gold (WA) Pty Ltd	0%	Right to farm in and earn 80%
New Mexico Joint Venture	Tasman Exploration Pty Ltd	100% (Pending application for M24/551)	40%
Yacamunda Joint Venture	Wirralie Mines Pty Ltd	49%	49% (upon completion of farm-out)
Coober Pedy Exploration Joint Venture Agreement	Newmont Exploration Pty Ltd	20%	20%
	Sabatica Pty Ltd		
Farm-in Agreement: Polar Bear Project	Plutonic Operations NL	0%	Upon completion of first earn-in period - 49% Upon completion of second earn-in period - 30%
	Croesus Mining NL		
	Croesus Resources NL		
	Mining Resources (WA) Pty Ltd		
Joint Venture Agreement - ACHIMFU	Leo Shield Exploration Ghana Limited	0%	57%
	Caspian Oil & Gas Limited		
Annean Joint Venture	Mercator Gold plc	100%	100%
Pollelle Joint Venture	Elara Mining Limited	100%	100%
Chesterfield Joint Venture	Independence Group NL	100%	100%
Cue Joint Venture	Cougar Metals NL	20%	20%

# ST BARBARA MINES LIMITED

ABN 36 009 165 066

## Preliminary Final Report – Appendix 4E

### Financial year ended 30 June 2005

#### 6) Joint Ventures (continued)

##### Note

The registered and beneficial interests may change over time according to farm-in and farm-out provisions of the relevant joint venture agreements.

A number of joint ventures acquired through the acquisition of the Gold Division of Sons of Gwalia Ltd (Administrators Appointed) remained subject to pre-emptive rights which neither been exercised or waived as at 30 June 2005.

There was no material profit impact from Joint Ventures during the year ended 30 June 2005.

#### 7) Commentary on Results

The commentary on the results and activities is set out in the accompanying report titled "Preliminary Financial Results 2004/05".

#### 8) Earnings per Share

	30 June 2005 cents/share	30 June 2004 cents/share
Basic earnings per share	0.00	(0.05)
Diluted earnings per share	0.00	(0.05)
	<b>A\$'000</b>	<b>A\$'000</b>
Retained profit/(loss) for the year used in the calculation of basic and diluted earnings per share	590	(24,315)
	<b>Number</b>	<b>Number</b>
Weighted average number of fully paid ordinary shares on issue during the year used in the calculation of basic earnings per share	644,018,641	517,843,596
Weighted average number of fully paid ordinary shares on issue during the year used in the calculation of diluted earnings per share	648,694,734	517,843,596

#### 9) Segment Reporting

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

The consolidated entity's head office is in Australia.

#### 10) Audit Report

This report is based on accounts which are in the process of being audited.

#### 11) Impact of Adopting Australian Equivalents to IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoptions of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

# ST BARBARA MINES LIMITED

ABN 36 009 165 066

## Preliminary Final Report – Appendix 4E

### Financial year ended 30 June 2005

#### 11) Impact of Adopting Australian Equivalents to IFRS (continued)

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to the comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

To facilitate the transition to AIFRS the consolidated entity has established a project team. The priority of this project team has been to identify differences between accounting principles generally accepted in Australia (AGAAP) and AIFRS as they are applied to the group.

The project team has analysed all of the AIFRS and has identified the accounting policy changes that will be required. In some cases choices of accounting policies are available; including elective exemptions under Accounting Standards AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS are shown below with descriptions of the differences in the form of reconciliations of equity and profit under AGAAP to that under AIFRS. No material impacts are expected in relation to the statements of cashflows.

Although the descriptions disclosed in the note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, ongoing work by the project team may identify further changes amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

In accordance with its requirements of its AIM listing in the United Kingdom, the Company includes a reconciliation of AGAAP to IFRS in its statutory financial statements. The Company is currently considering what differences, if any, will exist between AIFRS and IFRS, including allowing for any exemptions on transition to AIFRS. The results of this review will be included in the Company's 2005 statutory financial statements.

# ST BARBARA MINES LIMITED

ABN 36 009 165 066

## Preliminary Final Report – Appendix 4E

Financial year ended 30 June 2005

### 11) Impact of Adopting Australian Equivalents to IFRS (continued)

#### ADJUSTMENTS REQUIRED ON IMPLEMENTATION OF IFRS 30 JUNE 2005

##### A) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	Consolidated	
		30/06/2005 \$'000	1/07/2004 \$'000
Total Equity under AGAAP		27,360	44,852
<b>Adjustments to retained earnings (net of tax)</b>			
Share based payment expense	(i)	(606)	-
Revaluation of available for sale investments	(v)	773	-
Accounting for impairment of assets	(iii)	(14,192)	(14,192)
Profit on deconsolidation of controlled entity	(iii)	14,192	-
		167	(14,192)
<b>Adjustments to other reserves (net of tax)</b>			
Share based payment reserve	(i)	606	-
Investments fair value reserve	(v)	113	-
		719	-
Total equity under AIFRS		28,246	30,660

##### B) Reconciliation of net profit as presented under AGAAP to that under AIFRS

	Notes	Consolidated	
		30/06/2005 \$'000	30/06/2004 \$'000
Net profit/(loss) attributable to members of the Company as reported under AGAAP		590	(24,315)
<b>Adjustments to net profit/(loss)</b>			
Share based payment expense	(i)	(606)	-
Revaluation of investments available for sale	(v)	773	-
Profit on deconsolidation of controlled entity	(iii)	14,192	-
Accounting for impairment of assets		-	(5,621)
Net (loss) attributable to outside equity interests		-	6,369
Net Profit/(loss) attributable to members of the Company under AIFRS		14,949	(23,567)

# ST BARBARA MINES LIMITED

ABN 36 009 165 066

## Preliminary Final Report – Appendix 4E

Financial year ended 30 June 2005

### 11) Impact of Adopting Australian Equivalents to IFRS (continued)

#### Notes Explaining the Impact of Adopting AIFRS

i) Equity-based compensation benefits

Under AASB 2 *Share based Payments*, the Company would recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payment costs are not recognised under AGAAP.

AASB 1 states that on initial adoption of AIFRS an entity is encouraged, but not required, to apply AASB 2 to equity instruments that were granted on or before 7 November 2002. A first time adopter is also encouraged, but not required, to apply AASB 2 to equity instruments that were granted after 7 November 2002 that vested before the later of (a) the date of transition to AIFRS and (b) 1 January 2005. This guidance has been used in determining the share based payments recognised in this disclosure.

ii) Non-current assets held for sale

Under AASB 5 *Non-current assets held for Sale and Discontinued Operations*, a non-current asset will be classified as held for sale if its carrying amount is to be recovered principally through a sale transaction rather than through continued use. The asset will be measured at the lower of carrying amount and fair value, less costs to sell. Under AGAAP such investments are valued at the lower of cost or realisable value. There is no significant impact as at 30 June 2005, as the measurement of the assets would have remained unchanged.

iii) Impairment of assets

Under current AGAAP, the carrying amounts of non-current assets valued on a cost basis are reviewed at each reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount, with the write-down recognised in the statement of financial performance in the period in which it occurs. In assessing the recoverable amounts, the relevant cash flows have not been discounted to their present value.

Under AASB 136 *Impairment of Assets*, the carrying amount of the consolidated entity's non-current assets will be reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount. If there is any indication that any asset is impaired, the recoverable amount will be estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs will be determined. An impairment loss will be recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

If the policy required under AIFRS had been applied during the year ended 30 June 2005, the consolidated net profit would have been \$14,192,000 higher as a result of the impact on profit on deconsolidation from the previous financial year's cumulative impairment losses that would have been incurred under AIFRS policies. This is due to the deconsolidation of NuStar, for which the impairment is related.

iv) Revenue disclosures in relation to the sale of non current assets

Under AIFRS, the revenue recognised in relation to the sale of non-current assets is the net gain on the sale. This is in contrast to the current Australian GAAP treatment under which the gross proceeds from the sale are recognised as revenue and the carrying amount of the assets sold is recognised as an expense. The net impact on the profit or loss of this difference is nil.

# ST BARBARA MINES LIMITED

ABN 36 009 165 066

## Preliminary Final Report – Appendix 4E

### Financial year ended 30 June 2005

#### 11) Impact of Adopting Australian Equivalents to IFRS (continued)

v) Financial instruments

AASB 139 is likely to have the following impacts:

*Classification and measurement of financial assets and liabilities*

Under AASB 139, financial assets held by entities in the consolidated entity will be classified as either at fair value through profit or loss, held-to-maturity, available for sale or loans and receivables and, depending upon classification, be measured at fair value or amortised cost.

Under AASB 139:

- Investments in traded equity securities as at 30 June 2005 would be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised.
- Receivables and financial liabilities classifications will remain unchanged. Measurement of these instruments will initially be at fair value with subsequent measurement at amortised cost, using the effective interest rate method.

This will result in a change of the current accounting policy, under which financial assets are carried at the lower of cost and recoverable amount, with changes recognised in profit or loss.

vi) Income tax

Under AASB 112 *Income taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre tax accounting profit or loss and/or taxable income or loss and current and deferred taxed cannot be recognised directly in equity.

If the policy required by AASB 112 had been applied during the year ended 30 June 2005 there would not have been any significant differences in deferred tax balances as a result of the application of the balance sheet method.

vii) Exploration and evaluation

The Group's existing policy for exploration and evaluation activity provides that exploration expenditure is expensed as it is incurred. Amounts allocated to exploration as part of an acquisition are capitalised. This policy complies with AIFRS requirements and therefore no difference is expected to result from either the treatment of costs or from impairment testing.