



St Barbara LIMITED

St Barbara Limited ACN 009 165 066
Level 14, 90 Collins Street, Melbourne VIC 3000
Locked Bag 9, Collins Street East, Melbourne VIC 8003
Tel +61 3 8660 1900 Fax +61 3 8660 1999
www.stbarbara.com.au



30 June 2011 Financial Statements

Net profit after tax for the year ended 30 June 2011 increased to \$68.6 million compared to 2010 net loss after tax of \$40.2 million.

Underlying net profit after tax also increased substantially to \$54.4 million (2010: \$14.5 million) due mainly to increased gold production and higher gold prices.

Cash flow from operations increased to \$117.1 million (2010: \$76.6 million). Cash on hand at 30 June 2011 was \$79.5 million (2010: \$102.2 million), and reflected increased expenditure in exploration and development of the King of the Hills mine. Total debt reduced to \$12.1 million (2010: \$15.9 million).

Major achievements during the 2011 financial year included:

- EPS growth from negative \$0.14 in 2010 to positive \$0.21 in 2011;
- Gold production increased by 12% to 258,474 ounces;
- King of the Hills gold mine successfully commissioned;
- Results from expanded exploration expenditure of \$22.1 million included an increase in Gwalia mineral resources and ore reserves;
- Six for one share consolidation successfully completed in November 2010.

Significant items included in the reported net profit after tax comprised:

- Positive mark-to-market movement on the gold put and call options for King of the Hills of \$13.5 million (2010: negative \$19.5 million);
- Gain on the sale of assets of \$3.1 million (2010: \$2.7 million);
- Non-recurring expenses for Leonora Aboriginal groups of \$2.4 million (2010: nil).

All gold production from the Company's core asset, the Gwalia mine, remains fully exposed to the gold price. Key objectives for the 2012 financial year include continuing to increase margins, increasing gold production by approximately 30% to 320,000 to 350,000 ounces of gold and increasing exploration activities to target discoveries.

Details of the results for the financial year ended 30 June 2011 are set out in the attached Appendix 4E and financial statements.

Tim Lehany
Managing Director and CEO
24 August 2011



ST BARBARA LIMITED

ABN 36 009 165 066

APPENDIX 4E

FOR YEAR ENDED 30 JUNE 2011

Preliminary Final Report
Financial year ended 30 June 2011

This information should be read in conjunction with the St Barbara Limited 2011 Financial Report attached.

Name of entity

St Barbara Limited

ABN or equivalent company reference

36 009 165 066

Results for announcement to the market

		<i>% Change</i>		<i>A\$'000</i>
Revenue and other income	up	23%	to	373,406
Profit after tax before significant items attributable to members of the parent entity ("underlying profit") <i>(Prior year underlying profit: \$14,547,000)</i>	up	274%	to	54,431
Profit from ordinary activities after tax attributable to members of the parent entity <i>(Prior year loss: \$40,188,000)</i>		n/m		68,629
Net profit attributable to members of the parent entity <i>(Prior year loss: \$40,188,000)</i>		n/m		68,629

n/m: not meaningful

During the year there were a number of significant items that had a material impact on the income statement of the consolidated entity as set out in the table below:

	Year ended 30 June 2011 A\$'000	Year ended 30 June 2010 A\$'000
Net profit/(loss) after tax as reported	68,629	(40,188)
<u>Significant Items After Tax</u>		
Net fair value (gains)/losses on gold options	(13,471)	19,513
Profit on sale of Tarmoola processing plant	(1,164)	-
Proceeds from sale of tenement rights	(1,963)	-
Native Title accrual	2,400	-
Gain on sale of available for sale assets	-	(2,724)
Asset impairment write downs	-	37,946
Underlying net profit after tax	54,431	14,547

Dividends

The Company did not declare or pay any dividends during the year or in the prior year.

Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.

Overview

St Barbara completed the 2011 financial year in a strong financial position, reporting a net profit after tax of \$68,629,000 (2010: net loss of \$40,188,000) for the year ended 30 June 2011, which included significant items amounting to a net gain of \$14,198,000 (2010: net loss of \$54,735,000), cash on hand at 30 June 2011 of \$79,485,000 (2010: \$102,157,000) and total debt of \$12,072,000 (2010: \$15,909,000). The underlying net profit after tax for the year was \$54,431,000 (2010: \$14,547,000). The consolidated result for the year is summarised as follows:

	30 June 11 \$'000	30 June 10 \$'000
Sales revenue	359,575	296,760
EBITDA (including significant items)	125,190	33,793
EBIT (including significant items)	66,710	(38,081)
Reported net profit/(loss) after tax for the year	68,629	(40,188)
Total net significant items	14,198	(54,735)
EBITDA – excluding significant items	110,992	73,163
EBIT – excluding significant items	52,512	16,654
Underlying net profit after tax for the year	54,431	14,547

Discussion and Analysis of Operating Results and the Income Statement

For the year ended 30 June 2011 St Barbara reported an underlying profit after income tax of \$54,431,000 (2010: \$14,547,000), representing a substantial improvement on the previous year. The significant improvement compared with prior year was the result of increased gold sales and a stronger gold price.

The Group's focus during the year continued to be increasing production at the Gwalia underground mine at Leonora, development of the King of the Hills underground mine at Leonora, achievement of the extension of mine life at the Southern Cross operations and exploration for gold close to existing operations at Leonora and Southern Cross.

Financial performance

Total sales revenue of \$359,575,000 (2010: \$296,760,000) was generated from gold sales of 257,653 ounces (2010: 237,264 ounces) at an average achieved gold price of A\$1,387 per ounce (2010: A\$1,244 per ounce). Production at Leonora was 138,199 ounces (2010: 109,148 ounces) for the year, which included 7,066 ounces from the King of the Hills underground mine in the June 2011 quarter. Production at Southern Cross was 120,275 ounces (2010: 121,870 ounces) for the year. A summary of the production performance for the year ended 30 June 2011 is provided in the table below.

Details of 2011 Production Performance

		Southern Cross		Gwalia		King of the Hills	
		2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Open Pit Ore Mined	t	-	23,413	-	-	-	-
Grade	g/t	-	5.7	-	-	-	-
Underground Ore Mined	t	1,161,078	969,519	647,546	621,930	65,819	-
Grade	g/t	3.2	4.0	6.3	5.7	4.5	-
Ore Milled	t	1,199,627	1,279,751	648,212	632,573	50,105	-
Grade	g/t	3.4	3.4	6.3	5.6	4.6	-
Recovery	%	92	86	96	95	95	-
Gold Production	oz	120,275	121,870	131,133	109,148	7,066	-
Cash Cost ⁽¹⁾	A\$/oz	890	883	765	686	699	-
Total Cost ⁽¹⁾	A\$/oz	1,060	1,070	1,020	945	997	-

(1) Before significant items

Gold production from the Gwalia underground mine was 131,133 ounces for the year (2010: 109,148 ounces). The mine produced 647,546 tonnes (2010: 621,930 tonnes) of ore at an average grade of 6.3 grams per tonne (2010: 5.7 grams per tonne). The grades at Gwalia increase as access to higher grade ore lower in the mine is achieved. During the year, production at the Gwalia mine was interrupted by exceptionally heavy rain in the Leonora region. The heavy rain in February 2011 appeared to have contributed to the subsidence of an historic void that intersected the Hoover Decline, creating a small opening in the side wall that needed to be back filled. The rain event delayed production due to restrictions in accessing the mine for ten days and delays in developing at the bottom of the Hoover Decline. As at the reporting date, development was well advanced and the Hoover Decline was down to 1,358 metres below surface.

Development commenced on the King of the Hills mine during the year, with the first ounces produced in April 2011. The King of the Hills Mine produced 65,819 tonnes for 7,066 ounces. The treatment of third party ore ceased during March 2011. A total of 98,048 tonnes (2010: 36,000 tonnes) of open pit ore from Navigator Resources Limited's Mertondale operations and Range River Gold were processed during the year. The process plant performed reliably throughout the year, consistently returning over 95% recovery from Gwalia and King of the Hills ore.

At Southern Cross, the Marvel Loch underground mine performed well during the year producing 1,161,078 tonnes of ore (2010: 969,519 tonnes), which was almost 20% higher than the previous year.

Production for the year was 120,275 ounces (2010: 121,870 ounces) of gold. The processing plant at Marvel Loch continued to operate on a campaign basis.

The Gwalia cash cost for the year was \$765 per ounce (2010: \$686 per ounce). The higher unit cost at Gwalia reflected the negative impact of the interruption of production caused by the rain event in February 2011, and the introduction of a recharge of operating and support costs of \$31 per ounce of production. The operating and support costs included in the recharge were previously accounted for as part of corporate administration costs. The cash cost at the King of the Hills mine was \$699 per ounce, which was in line with expectations. Total cash operating costs at Leonora operations, excluding royalties and third party toll treatment revenues, were \$103,873,000 (2010: \$74,470,000), with the increase attributable to increased expenditure associated with higher production at Gwalia, the commencement of operations at the King of the Hills mine and an increase in operating costs. Total cash operating costs at Southern Cross were \$104,148,000 (2010: \$110,637,000).

Other revenue of \$9,382,000 (2010: \$6,765,000) comprised mainly interest earned during the year of \$5,611,000 (2010: \$5,210,000) and revenue from treating third party ore at Leonora of \$3,422,000 (2010: \$896,000). During the year the Company earned interest at an average rate of 5.87% compared with the average cash rate of 4.66%.

Other income of \$4,449,000 (2010: \$939,000) included a net profit of \$1,164,000 on the sale of the Tarmoola plant, a gain (net of costs) of \$1,963,000 from the sale of excess tenements in the Leonora region, and the recovery of legal costs in relation to the Kingstream litigation (net of fees incurred in the current period) of \$1,262,000.

Exploration expensed in the income statement in the year was \$13,284,000 (2010: \$5,184,000). Exploration expenditure in the year amounted to \$22,147,000 (2010: \$7,946,000), which was substantially higher than the prior year due to an increase in drilling expenditure, including a program to further delineate resources at Gwalia.

Corporate and support costs for the year amounted to \$14,848,000 (2010: \$21,382,000), which included expenses related to the corporate office, rates and taxes associated with the Company's landholdings, compliance costs and operations support and technical services. During the year, the Company also incurred expenditure in relation to Native Title obligations amounting to \$2,400,000. Corporate and support costs were lower than the prior year due mainly to the introduction of a recharge to the operations amounting to \$9,518,000.

The royalties expense for the year of \$13,693,000 (2010: \$11,790,000) comprised the state royalty payable in Western Australia and payments for a corporate royalty on gold revenue. The increase in royalty payments was attributable to increased gold sales and the higher average gold price achieved in the year.

Depreciation and amortisation of fixed assets and capitalised mine development totalled \$58,480,000 (2010: \$71,874,000) for the year. The prior year amount included \$15,365,000 related to impairment write offs at Southern Cross operations. Adjusting for the prior year impairment, the depreciation and amortisation charge for the current year is marginally higher, which is attributable to the higher level of production for the year. At Gwalia, the depreciation and amortisation charge (excluding amortisation of capitalised exploration) was \$33,476,000 (2010: \$31,279,000) which equated to a unit rate of \$255 per ounce (2010: \$286 per ounce).

Finance costs were lower than the previous year at \$3,692,000 (2010: \$7,317,000) due mainly to the buy-back of convertible notes which was completed in July 2010.

The net fair value movement on derivatives reported in the income statement was a gain of \$13,471,000 (2010: loss of \$19,513,000), which represented the movement in the time value of gold put and call options during the year. The gain comprises a realised amount of \$525,000 and unrealised gain of \$12,946,000. The gold put and call options provide price protection over 238,000 ounces of King of the Hills production. The mark-to-market value of the gold put and call options is calculated at each reporting date and will fluctuate over time to maturity of the contracts.

Discussion and Analysis of the Cash Flow Statement

Operating activities

Cash flows from operating activities for the year were \$117,122,000 (2010: \$76,621,000), representing a significant increase compared to the prior year. Increased operating cash flows were attributable to higher receipts from customers, reflecting the benefit of higher gold production and a significantly stronger gold price. Payments to suppliers and employees were higher than the prior year at \$228,015,000 (2010: \$209,774,000) due mainly to increased production at Gwalia and commencement of production at King of the Hills. Interest received of \$5,122,000 (2010: \$4,575,000) was higher than in the prior year due to the increased level of cash on hand during the year. Interest paid in the year of \$37,000 (2010: \$4,829,000) was lower than the prior year as a result of lower debt after the repayment of convertible notes completed in July 2010. Payments for exploration expensed in the year amounted to \$13,284,000 (2010: \$5,184,000), with the higher expenditure compared with the prior year attributable to increased exploration activity.

Investing activities

Net cash flows used in investing activities amounted to \$136,431,000 (2010: \$88,437,000) for the year. Higher expenditure in the year was attributable to the development of the King of the Hills underground mine, an increase in exploration expenditure capitalised and expenditure on a number of infrastructure projects at Leonora. In the year proceeds of \$2,000,000 were received from the sale of tenements in the Leonora region, and \$3,000,000 was received from the sale of the Tarmoola processing plant. The prior year included proceeds of \$9,907,000 from the sale of the Company's shares in Unity Mining Limited (formerly Bendigo Mining Limited). Investing expenditure during the year was in the following major areas:

- Underground mine development and infrastructure at Gwalia – \$60,382,000 (2010: \$57,739,000);
- Underground mine development and infrastructure at Marvel Loch – \$25,344,000 (2010: \$27,223,000);
- Underground mine development and infrastructure at King of the Hills – \$34,606,000 (2010: \$2,125,000);
- Purchase of property, plant and equipment at the operations – \$12,207,000 (2010: \$10,210,000); and
- Exploration capitalised – \$8,863,000 (2010: \$637,000).

Financing activities

Net cash flows from financing activities were an outflow of \$3,363,000 (2010: inflow of \$60,281,000), with major movements in cash flows including:

- Payments for the buy-back and redemption of the remaining convertible notes in July 2010 of \$1,200,000;
- Scheduled repayments of insurance premiums, leasing and equipment financing facilities amounting to \$7,005,000;
- Proceeds for funding asset purchases and insurance premiums totalling \$4,299,000.

Discussion and Analysis of the Statement of Financial Position

Net Assets and Total Equity

St Barbara's net assets and total equity increased during the year by \$86,879,000 to \$436,347,000, due mainly to the net profit after tax earned in the year and the reduction in the gold cash flow hedge reserve as a result of changes in the fair value of the Company's gold put and call options.

The available cash balance at 30 June 2011 was \$79,485,000 (2010: \$102,157,000) reflecting the higher mine development and exploration expenditure during the year. At 30 June 2011 receivables related to gold sales during the year amounted to \$15,020,000 (2010: \$8,294,000).

Property, plant and equipment, mine properties and capitalised exploration had a combined value at 30 June 2011 of \$401,370,000 (2010: \$334,361,000). The increase of \$67,009,000 was due mainly to mine development expenditure at Leonora and capitalised exploration.

Trade and other payables increased to \$49,366,000 at 30 June 2011 (2010: \$37,558,000) reflecting the higher level of expenditure, mainly at Leonora.

Derivative financial liabilities decreased to \$10,468,000 at 30 June 2011 (2010: \$38,674,000) reflecting the change in the net fair value of the gold put and call options. At 30 June 2011, derivative financial assets totalling \$2,367,000 (2010: Nil) represented the positive net fair value attributable to a portion of the gold put and call options tranches outstanding at 30 June 2011.

Net debt

Net debt, comprising total borrowings less cash on hand, was net cash of \$67,413,000 at 30 June 2011 (2010: net cash of \$86,248,000). During the year remaining convertible notes with a value of \$1,200,000 were redeemed. As at 30 June 2011 total interest bearing borrowings amounted to \$12,072,000 (30 June 2010: \$15,909,000), comprising lease and equipment financing facilities and insurance premium funding.

Subsequent Events

No significant events have occurred after balance date for the year ended 30 June 2011, except for the following items:

- In July 2011, the Group advised GE Commercial Finance of its intention to repay the equipment lease facility in full on 30 August 2011. At 30 June 2011, the outstanding balance was \$7,860,000.
- On 4 August 2011 the Group entered into a zero cost collar hedging facility for 100,000 ounces of gold from September 2011 to September 2012 to manage Australian dollar gold price risk associated with the estimated production from the remaining life of the Southern Cross mine. The facility was fully drawn down by purchasing put options and selling call options over 100,000 ounces of gold with the following strikes: bought put options at A\$1,550/oz, and sold call options at A\$1,610/oz.

Net tangible asset backing

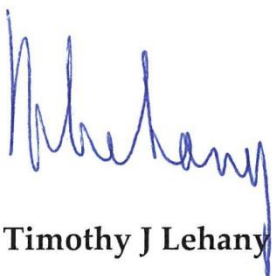
	Current period	Previous corresponding period
Net tangible assets per ordinary security*	\$1.34	\$1.08

* Calculated as the Company's net assets (representing net tangible assets) at period end divided by ordinary shares on issue at period end

Statement about the audit status

This preliminary final report is based on the St Barbara Limited and controlled entities financial report as at 30 June 2011, which has been audited by KPMG. The 30 June 2011 financial report contains the independent audit report to the members of St Barbara Limited.

Dated: 24 August 2011



Timothy J Lehany
Managing Director and CEO



ST BARBARA LIMITED

ABN 36 009 165 066

**DIRECTORS' REPORT
and
FINANCIAL REPORT**

FOR YEAR ENDED 30 JUNE 2011

Table of Contents

DIRECTORS' REPORT	3
Directors	3
Principal activities	3
Dividends	3
Overview of Results	3
Significant changes in the state of affairs	8
Likely developments and expected results of operations	8
Regulatory environment	8
Information on Directors	9
Meetings of Directors	12
Remuneration report (Audited)	12
Auditor independence	23
Indemnification and insurance of officers	23
Proceedings on behalf of the company	24
Environmental management	24
Non-audit services	24
Events occurring after the end of the financial year	24
Rounding of amounts	25
Auditor's Independence Declaration	26
FINANCIAL REPORT	27

DIRECTORS' REPORT

The Directors present their report on the Group "St Barbara Group", consisting of St Barbara Limited and the entities it controlled at the end of, or during, the financial year ended 30 June 2011.

Directors

The following persons were Directors of St Barbara Limited at any time during the year and up to the date of this report:

• S J C Wise	Chairman	
• T J Lehany	Managing Director & CEO	
• D W Bailey	Non-executive director	
• E A Donaghey	Non-executive director	Appointed 4 April 2011
• B J Gibson	Non-executive director	Retired 18 November 2010
• P C Lockyer	Non-executive director	
• R K Rae	Non-executive director	

The qualifications, experience and special responsibilities of the Directors is presented on pages 9 to 11.

Principal activities

During the year the principal activities of the Group were mining and the sale of gold, mineral exploration and development. There were no significant changes in the nature of activities of the Group during the year.

Dividends

There were no dividends paid or declared during the financial year.

Overview of Results

St Barbara completed the 2011 financial year in a strong financial position, reporting a net profit after tax of \$68,629,000 (2010: net loss of \$40,188,000) for the year ended 30 June 2011, which included significant items amounting to a net gain of \$14,198,000 (2010: net loss of \$54,735,000), cash on hand at 30 June 2011 of \$79,485,000 (2010: \$102,157,000) and total debt of \$12,072,000 (2010: \$15,909,000).

The underlying net profit after tax for the year was \$54,431,000 (2010: \$14,547,000). The consolidated result for the year is summarised as follows:

	30 June 11 \$'000	30 June 10 \$'000
Sales revenue	359,575	296,760
EBITDA (including significant items)	125,190	33,793
EBIT (including significant items)	66,710	(38,081)
Reported net profit/(loss) after tax for the year	68,629	(40,188)
Total net significant items	14,198	(54,735)
EBITDA – excluding significant items	110,992	73,163
EBIT – excluding significant items	52,512	16,654
Underlying net profit after tax for the year	54,431	14,547

The significant items are detailed in the following table.

DIRECTORS' REPORT

Significant Items	30 June 11 \$'000	30 June 10 \$'000
Net fair value gains/(losses) on gold options ⁽¹⁾	13,471	(19,513)
Profit on sale of Tarmoola processing plant ⁽²⁾	1,164	-
Proceeds from sale of tenement rights ⁽³⁾	1,963	-
Native Title accrual ⁽⁴⁾	(2,400)	-
Gain on sale of available for sale assets	-	2,724
Impairment write downs		
• Marvel Loch underground operating development	-	(22,581)
• Southern Cross plant and equipment	-	(11,583)
• Marvel Loch capitalised exploration	-	(3,782)
	<u>14,198</u>	<u>(54,735)</u>

(1) At 30 June 2011 the mark-to-market value of the Company's gold put and call options (collar structure), which provide price protection over 238,000 ounces of King of the Hills production, was negative \$8,101,000 (30 June 2010: negative \$38,674,000). In accordance with accounting standards the unrealised gain, representing the movement in the time value of the collar structure during the year, amounting to a gain of \$12,946,000 was recognised in the income statement (2010: loss of \$19,513,000). In addition, a realised gain of \$525,000 was recognised in the income statement, representing the unwinding of the unrealised mark-to-market loss booked at 30 June 2010 for options exercised or expired during the year. The unrealised gain related to the movement in the intrinsic value of the collar structure in the period of \$17,102,000 (2010: loss of \$19,161,000) was recognised in the hedging reserve in equity. Over time, the remaining unrealised negative mark-to-market valuation will reverse either through a change to the mark-to-market value of the collar structure or maturity of the contracts.

(2) During September 2010 the Company sold its Tarmoola processing plant, which was on care and maintenance and surplus to the Company's requirements, for cash proceeds of \$3,000,000. The profit recognised of \$1,164,000 is after deducting the book value of assets related to the sale of \$1,836,000.

(3) During October 2010 the Company sold tenements acquired for base metals prospectivity in the Leonora region and no longer considered strategic, to Jabiru Metals Limited for cash proceeds of \$2,000,000 (less \$37,000 for associated legal costs). There were no balances relating to these tenements previously capitalised on the balance sheet. The Company retains all gold rights associated with these tenements for a minimum of 5 years.

(4) During the year the Company identified an obligation to make payments to three Aboriginal groups in the Leonora region. The obligation arises from Agreements assigned to the Company when the Company acquired the Sons of Gwalia gold assets in 2005. The Agreements with the three Aboriginal groups relate to mining leases granted on tenements in which each group has an interest. The total payment due is \$2,400,000. The Company has no further mining lease applications in the Leonora district.

Discussion and Analysis of Operating Results and the Income Statement

For the year ended 30 June 2011 St Barbara reported an underlying profit after income tax of \$54,431,000 (2010: \$14,547,000), representing a substantial improvement on the previous year. The significant improvement compared with prior year was the result of increased gold sales and a stronger gold price.

The Group's focus during the year continued to be increasing production at the Gwalia underground mine at Leonora, development of the King of the Hills underground mine at Leonora, achievement of the extension of mine life at the Southern Cross operations and exploration for gold close to existing operations at Leonora and Southern Cross.

DIRECTORS' REPORT

Financial performance

Total sales revenue of \$359,575,000 (2010: \$296,760,000) was generated from gold sales of 257,653 ounces (2010: 237,264 ounces) at an average achieved gold price of A\$1,387 per ounce (2010: A\$1,244 per ounce). Production at Leonora was 138,199 ounces (2010: 109,148 ounces) for the year, which included 7,066 ounces from the King of the Hills underground mine in the June 2011 quarter. Production at Southern Cross was 120,275 ounces (2010: 121,870 ounces) for the year. A summary of the production performance for the year ended 30 June 2011 is provided in the table below.

Details of 2011 Production Performance

		Southern Cross		Gwalia		King of the Hills	
		2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Open Pit Ore Mined	t	-	23,413	-	-	-	-
Grade	g/t	-	5.7	-	-	-	-
Underground Ore Mined	t	1,161,078	969,519	647,546	621,930	65,819	-
Grade	g/t	3.2	4.0	6.3	5.7	4.5	-
Ore Milled	t	1,199,627	1,279,751	648,212	632,573	50,105	-
Grade	g/t	3.4	3.4	6.3	5.6	4.6	-
Recovery	%	92	86	96	95	95	-
Gold Production	oz	120,275	121,870	131,133	109,148	7,066	-
Cash Cost ⁽¹⁾	A\$/oz	890	883	765	686	699	-
Total Cost ⁽¹⁾	A\$/oz	1,060	1,070	1,020	945	997	-

(1) Before significant items

Gold production from the Gwalia underground mine was 131,133 ounces for the year (2010: 109,148 ounces). The mine produced 647,546 tonnes (2010: 621,930 tonnes) of ore at an average grade of 6.3 grams per tonne (2010: 5.7 grams per tonne). The grades at Gwalia increase as access to higher grade ore lower in the mine is achieved. During the year, production at the Gwalia mine was interrupted by exceptionally heavy rain in the Leonora region. The heavy rain in February 2011 appeared to have contributed to the subsidence of an historic void that intersected the Hoover Decline, creating a small opening in the side wall that needed to be back filled. The rain event delayed production due to restrictions in accessing the mine for ten days and delays in developing at the bottom of the Hoover Decline. As at the reporting date, development was well advanced and the Hoover Decline was down to 1,358 metres below surface.

Development commenced on the King of the Hills mine during the year, with the first ounces produced in April 2011. The King of the Hills Mine produced 65,819 tonnes for 7,066 ounces. The treatment of third party ore ceased during March 2011. A total of 98,048 tonnes (2010: 36,000 tonnes) of open pit ore from Navigator Resources Limited's Mertondale operations and Range River Gold were processed during the year. The process plant performed reliably throughout the year, consistently returning over 95% recovery from Gwalia and King of the Hills ore.

At Southern Cross, the Marvel Loch underground mine performed well during the year producing 1,161,078 tonnes of ore (2010: 969,519 tonnes), which was almost 20% higher than the previous year. Production for the year was 120,275 ounces (2010: 121,870 ounces) of gold. The processing plant at Marvel Loch continued to operate on a campaign basis.

The Gwalia cash cost for the year was \$765 per ounce (2010: \$686 per ounce). The higher unit cost at Gwalia reflected the negative impact of the interruption of production caused by the rain event in February 2011, and the introduction of a recharge of operating and support costs of \$31 per ounce of production. The operating and support costs included in the recharge were previously accounted for as part of corporate administration costs. The cash cost at the King of the Hills mine was \$699 per ounce, which was in line with expectations. Total cash operating costs at Leonora operations, excluding royalties and third party toll treatment revenues, were \$103,873,000 (2010: \$74,470,000), with the increase attributable to increased expenditure associated with higher

DIRECTORS' REPORT

production at Gwalia, the commencement of operations at the King of the Hills mine and an increase in operating costs. Total cash operating costs at Southern Cross were \$104,148,000 (2010: \$110,637,000).

Other revenue of \$9,382,000 (2010: \$6,765,000) comprised mainly interest earned during the year of \$5,611,000 (2010: \$5,210,000) and revenue from treating third party ore at Leonora of \$3,422,000 (2010: \$896,000). During the year the Company earned interest at an average rate of 5.87% compared with the average cash rate of 4.66%.

Other income of \$4,449,000 (2010: \$939,000) included a net profit of \$1,164,000 on the sale of the Tarmoola plant, a gain (net of costs) of \$1,963,000 from the sale of excess tenements in the Leonora region, and the recovery of legal costs in relation to the Kingstream litigation (net of fees incurred in the current period) of \$1,262,000.

Exploration expensed in the income statement in the year was \$13,284,000 (2010: \$5,184,000). Exploration expenditure in the year amounted to \$22,147,000 (2010: \$7,946,000), which was substantially higher than the prior year due to an increase in drilling expenditure, including a program to further delineate resources at Gwalia.

Corporate and support costs for the year amounted to \$14,848,000 (2010: \$21,382,000), which included expenses related to the corporate office, rates and taxes associated with the Company's landholdings, compliance costs and operations support and technical services. During the year, the Company also incurred expenditure in relation to Native Title obligations amounting to \$2,400,000. Corporate and support costs were lower than the prior year due mainly to the introduction of a recharge to the operations amounting to \$9,518,000.

The royalties expense for the year of \$13,693,000 (2010: \$11,790,000) comprised the state royalty payable in Western Australia and payments for a corporate royalty on gold revenue. The increase in royalty payments was attributable to increased gold sales and the higher average gold price achieved in the year.

Depreciation and amortisation of fixed assets and capitalised mine development totalled \$58,480,000 (2010: \$71,874,000) for the year. The prior year amount included \$15,365,000 related to impairment write offs at Southern Cross operations. Adjusting for the prior year impairment, the depreciation and amortisation charge for the current year is marginally higher, which is attributable to the higher level of production for the year. At Gwalia, the depreciation and amortisation charge (excluding amortisation of capitalised exploration) was \$33,476,000 (2010: \$31,279,000) which equated to a unit rate of \$255 per ounce (2010: \$286 per ounce).

Finance costs were lower than the previous year at \$3,692,000 (2010: \$7,317,000) due mainly to the buy-back of convertible notes which was completed in July 2010.

The net fair value movement on derivatives reported in the income statement was a gain of \$13,471,000 (2010: loss of \$19,513,000), which represented the movement in the time value of gold put and call options during the year. The gain comprises a realised amount of \$525,000 and unrealised gain of \$12,946,000. The gold put and call options provide price protection over 238,000 ounces of King of the Hills production. The mark-to-market value of the gold put and call options is calculated at each reporting date and will fluctuate over time to maturity of the contracts.

Discussion and Analysis of the Cash Flow Statement*Operating activities*

Cash flows from operating activities for the year were \$117,122,000 (2010: \$76,621,000), representing a significant increase compared to the prior year. Increased operating cash flows were attributable to higher receipts from customers, reflecting the benefit of higher gold production and a significantly stronger gold price. Payments to suppliers and employees were higher than the prior year at \$228,015,000 (2010: \$209,774,000) due mainly to increased production at Gwalia and commencement of production at King of the Hills. Interest received of \$5,122,000 (2010: \$4,575,000) was higher than in the prior year due to the increased level of cash on hand during the year. Interest paid in the year of \$37,000 (2010: \$4,829,000) was lower than the prior year as a result of lower debt after the repayment of convertible notes completed in July 2010. Payments for exploration expensed in the year amounted to \$13,284,000 (2010: \$5,184,000), with the higher expenditure compared with the prior year attributable to increased exploration activity.

DIRECTORS' REPORT*Investing activities*

Net cash flows used in investing activities amounted to \$136,431,000 (2010: \$88,437,000) for the year. Higher expenditure in the year was attributable to the development of the King of the Hills underground mine, an increase in exploration expenditure capitalised and expenditure on a number of infrastructure projects at Leonora. In the year proceeds of \$2,000,000 were received from the sale of tenements in the Leonora region, and \$3,000,000 was received from the sale of the Tarmoola processing plant. The prior year included proceeds of \$9,907,000 from the sale of the Company's shares in Unity Mining Limited (formerly Bendigo Mining Limited). Investing expenditure during the year was in the following major areas:

- Underground mine development and infrastructure at Gwalia – \$60,382,000 (2010: \$57,739,000);
- Underground mine development and infrastructure at Marvel Loch – \$25,344,000 (2010: \$27,223,000);
- Underground mine development and infrastructure at King of the Hills – \$34,606,000 (2010: \$2,125,000);
- Purchase of property, plant and equipment at the operations – \$12,207,000 (2010: \$10,210,000); and
- Exploration capitalised – \$8,863,000 (2010: \$637,000).

Financing activities

Net cash flows from financing activities were an outflow of \$3,363,000 (2010: inflow of \$60,281,000), with major movements in cash flows including:

- Payments for the buy-back and redemption of the remaining convertible notes in July 2010 of \$1,200,000;
- Scheduled repayments of insurance premiums, leasing and equipment financing facilities amounting to \$7,005,000;
- Proceeds for funding asset purchases and insurance premiums totalling \$4,299,000.

Discussion and Analysis of the Statement of Financial Position*Net Assets and Total Equity*

St Barbara's net assets and total equity increased during the year by \$86,879,000 to \$436,347,000, due mainly to the net profit after tax earned in the year and the reduction in the gold cash flow hedge reserve as a result of changes in the fair value of the Company's gold put and call options.

The available cash balance at 30 June 2011 was \$79,485,000 (2010: \$102,157,000) reflecting the higher mine development and exploration expenditure during the year. At 30 June 2011 receivables related to gold sales during the year amounted to \$15,020,000 (2010: \$8,294,000).

Property, plant and equipment, mine properties and capitalised exploration had a combined value at 30 June 2011 of \$401,370,000 (2010: \$334,361,000). The increase of \$67,009,000 was due mainly to mine development expenditure at Leonora and capitalised exploration.

Trade and other payables increased to \$49,366,000 at 30 June 2011 (2010: \$37,558,000) reflecting the higher level of expenditure, mainly at Leonora.

Derivative financial liabilities decreased to \$10,468,000 at 30 June 2011 (2010: \$38,674,000) reflecting the change in the net fair value of the gold put and call options. At 30 June 2011, derivative financial assets totalling \$2,367,000 (2010: Nil) represented the positive net fair value attributable to a portion of the gold put and call options outstanding at 30 June 2011.

Net debt

Net debt, comprising total borrowings less cash on hand, was net cash of \$67,413,000 at 30 June 2011 (2010: net cash of \$86,248,000). During the year remaining convertible notes with a value of \$1,200,000 were redeemed. As at 30 June 2011 total interest bearing borrowings amounted to \$12,072,000 (30 June 2010: \$15,909,000), comprising lease and equipment financing facilities and insurance premium funding.

DIRECTORS' REPORT**Significant changes in the state of affairs**

The significant changes in the state of affairs of the Company during the financial year are as follows:

- a) Net profit for the year
The Group reported a net profit for the year of \$68,629,000, which reduced the accumulated losses of the Group to \$180,223,000 at 30 June 2011.
- b) Increase in net assets
The Group's net assets increased by \$86,879,000 during the year due mainly to the net profit after tax reported for the year and a reduction in the gold cash flow hedge reserve.
- c) Changes in issued capital
On 18 November 2010 shareholders approved a share consolidation of six existing shares for one new share of the Company's issued capital.

Likely developments and expected results of operations

The Company will continue to focus on achieving profitable production with an emphasis on lower cost, higher margin gold production. The current remaining mine life of the Southern Cross operations is fourteen months with the processing plant expected to be placed on care and maintenance in September 2012. While efforts are continuing to extend the mine life through a limited underground drilling program, it is not expected that there will be a substantial change in mine life.

Further information about anticipated developments in the operations of the Company and the anticipated results of those operations in future financial years have not been included in this report because there is insufficient certainty to warrant disclosure.

Regulatory environment

The Company's mining activities are all in Western Australia and are governed by Western Australian legislation, including the *Mining Act 1978*, the *Mines Safety and Inspection Act 1994*, *Dangerous Goods Safety Act 2004* and other mining related and subsidiary legislation. The Group is subject to significant environmental regulation, including, *inter alia*, the *Western Australian Environmental Protection Act 1986*, *Contaminated Sites Act 2003*, *Wildlife Conservation Act 1950*, *Aboriginal Heritage Act 1972* and the *Commonwealth Environmental Protection and Biodiversity Conservation Act 1999*, as well as safety compliance in respect of its mining and exploration activities.

The Company is registered pursuant to the *National Greenhouse and Energy Reporting Act 2007* under which it is required to report energy consumption and greenhouse gas emissions for its operations for the twelve months ending 30 June. St Barbara also reports to Government pursuant to both the *Energy Efficiency Opportunities Act 2006* and the *National Environmental Protection (National Pollutant Inventory) Measure* (subsidiary legislation to the *National Environmental Protection Measures (Implementation) Act 1998*). The Company has established data collection systems and processes to meet these reporting obligations.

DIRECTORS' REPORT

Information on Directors**S J Colin Wise LL.B, FAICD, FAusIMM** *Chairman – Non Executive*

Mr Wise is an experienced corporate lawyer, consultant and company director with significant expertise in the mining and exploration industry and resources, energy and corporate sectors. He spent 24 years with WMC Limited, 10 of which as General Counsel and subsequently, 4 years as Counsel to a New York law firm. He has extensive practical experience in Australia and internationally with a wide range of corporate, operational and legal matters.

He has been Chairman of St Barbara since mid 2004, and is a Fellow of both the Australian Institute of Company Directors and the Australasian Institute of Mining and Metallurgy. He is a member of the Advisory Board to the Dean of Medicine, Nursing and Health Sciences at Monash University and was a Non Executive Director for 5 years of Southern Health, the largest health care service in Victoria, Chair of its Quality Committee, and a member of the Audit Committee.

Other current public company directorships

Nil

Former public company directorships in last 3 years

Nil

Special responsibilities

Chairman of the Board

Member of the Remuneration, Audit and Health & Safety Committees

Interest in shares and options

Mr Wise has a relevant interest in 1,139,389 fully paid ordinary shares of the Company.

Tim J Lehany B.E., MBA, MAusIMM *Managing Director and Chief Executive Officer*

Mr Lehany is a mining engineer with extensive operating experience over the past twenty years with a number of mining companies, including Newcrest Mining Ltd and WMC Ltd. His roles covered gold, base metal and nickel mines.

Other current public company directorships

Nil

Former public company directorships in last 3 years

Nil

Special responsibilities

Nil

Interest in shares and options

Mr Lehany has a relevant interest in 167,822 fully paid ordinary shares and holds 1,227,570 unlisted options to acquire fully paid ordinary shares, subject to performance hurdles, and holds 757,819 performance rights that will convert into shares subject to performance hurdles. The details of the unlisted options and performance rights are provided later in this Report.

DIRECTORS' REPORT**Douglas W Bailey, BBus (Acc), CPA, ACIS Non Executive Director**

Mr Bailey was the Chief Financial Officer of Woodside Petroleum Ltd between 2002 and 2004 and previously, was an Executive Director of Ashton Mining Limited from 1990 to 2000, including the last 3 years as Chief Executive Officer. He was also a Non Executive Director of Aurora Gold Ltd for the period 1993-2000.

Other current public company directorships

Tap Oil Limited

Former public company directorships in last 3 years

Nil

Special responsibilities

Chairman of the Audit Committee

Member of the Remuneration Committee

Interest in shares and options

Mr Bailey has a relevant interest in 30,247 fully paid ordinary shares.

Elizabeth A (Betsy) Donaghey B.Sc(Eng) M.S Non Executive Director

Ms Donaghey is a civil engineer with extensive oil & gas industry and corporate experience. This included roles with BHP Billiton for 19 years in gas marketing, reservoir engineering and business planning and analysis.

More recently, Ms Donaghey spent 9 years with Woodside Energy in various senior gas business and strategic planning roles, culminating in Ms Donaghey's executive leadership of Woodside Energy's Australian business unit, with assets generating annual revenue exceeding \$1 billion and new projects with \$1.5 billion capital investment and, subsequently, the business unit developing the Browse LNG project.

Ms Donaghey is a member of the Federal Government established Solar Flagships Council.

Other current public company directorships

Imdex Limited

Former public company directorships in last 3 years

Nil

Special responsibilities

Member of the Remuneration and Health & Safety Committees

Interest in shares and options

Ms Donaghey has no relevant interest in fully paid ordinary shares of the Company.

DIRECTORS' REPORT**Phil Lockyer M.Sc, AWASM, DipMETALL** *Non Executive Director*

Mr Lockyer is an experienced mining engineer and metallurgist with over 40 years experience in the mineral industry with an emphasis on gold and nickel, in both underground and open pit operations. Mr Lockyer was employed by WMC Resources for 20 years, and as General Manager for WA was responsible for that Company's nickel division and gold operations. Mr Lockyer also held the position of Director Operations for Dominion Mining Limited and Resolute Limited.

Other current public company directorships

Focus Minerals Limited

Western Desert Resources Limited

Swick Mining Services Limited

CGA Mining Limited

Former public company directorships in last 3 years

Ammtec Limited

Perilya Limited

Jubilee Mines Limited

Special responsibilities

Chairman of the Health & Safety Committee

Member of the Audit Committee

Interest in shares and options

Mr Lockyer has a relevant interest in 20,631 fully paid ordinary shares of the Company.

Robert Rae B.Com (Hons), FAICD *Non Executive Director*

Mr Rae is a Director and Partner of McClintock Associates, a private investment bank and advisory firm and has extensive industry and corporate experience. Mr Rae has held previous directorships within the mining industry, including Plutonic Resources Limited, Ashton Mining Limited, WA Diamond Trust and Centralian Minerals Limited. Mr Rae is also a member of the Salvation Army Advisory Board.

Other current public company directorships

McClintock Associates Securities Limited

SCEGGS Darlinghurst Limited

SHEM Limited

Former public company directorships in last 3 years

Nil

Special responsibilities

Chairman of the Remuneration Committee

Member of the Audit Committee

Interest in shares and options

Mr Rae has a relevant interest in 48,976 fully paid ordinary shares of the Company.

Qualifications and experience of the company secretary

Ross Kennedy BComm, Grad.Dip – Company Secretarial Practice, ACA, FTIA, MAusIMM, FAICD, ACIS *Company Secretary*

Mr Kennedy has more than 24 years experience as a public company secretary and has held a number of public company directorships in resources and technology companies. He has extensive experience in corporate management, including risk management, corporate governance, finance, accounting, commercial negotiations, takeovers, legal contracts, land management, human resources, statutory compliance and public reporting.

DIRECTORS' REPORT

Meetings of Directors

The number of meetings of Directors (including meetings of Committees of Directors), and the numbers of meetings attended by each of the Directors of the Company during the financial year was:

	Board		Audit Committee		Remuneration Committee		Health & Safety Committee	
	A	B	A	B	A	B	A	B
S J C Wise	13	13	4	4	6	6	3	3
T J Lehany	13	13	-	-	-	-	-	-
D W Bailey	13	13	4	4	6	6	-	-
P C Lockyer	13	13	4	4	-	-	3	3
R Rae	12	13	4	4	6	6	-	-
E A Donaghey ⁽¹⁾	3	3	-	-	2	2	1	1
B J Gibson ⁽²⁾	4	4	-	-	3	3	1	1

A = Number of meetings attended

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

(1) E A Donaghey was appointed on 4 April 2011.

(2) B J Gibson retired on 18 November 2010.

Remuneration report (Audited)**Introduction**

This Remuneration Report forms part of the Directors Report for the year ended 30 June 2011. It sets out the remuneration strategy, policies and practices that applied for the 2011 financial year, as well as details of remuneration paid to Directors and senior executives; collectively referred to as Key Management Personnel.

Overview of contents

1. Executive Summary
2. Decision making authorities for remuneration at St Barbara;
3. Principles applied in determining the structure and amount of remuneration;
4. Company performance;
5. Remuneration paid to Key Management Personnel for the year ended 30 June 2011, including details and principles of equity related compensation;
6. Summaries of service agreements for Executive Key Management Personnel.

1. Executive Summary*Industry context*

The Company is a gold producer and operates predominantly in Western Australia with three operating underground mines and two processing plants. As at 30 June 2011, the Company workforce comprised 266 employees and 563 contractors. The Company competes for labour in the broader resources industry, where the demand for employment is anticipated to grow from 75,600 in 2009 to 119,500 by 2012.¹

Remuneration Strategy

The objectives of the Remuneration strategy for the 2011 financial year were to ensure that:

- total remuneration for senior executives and each level of the workforce was market competitive;
- total remuneration for executives and managers comprised an appropriate proportion of fixed remuneration and remuneration at risk;
- remuneration “at risk” encouraged and rewarded high performance aligned with value creation for shareholders;

¹ Western Australia Chamber of Minerals and Energy: “State Growth Outlook 2011”

DIRECTORS' REPORT

- the integrity of the remuneration review processes delivered fair and equitable outcomes; and
- remuneration for Non Executive Directors preserved their independence by being in the form of fixed fees.

Key developments

The 2011 financial year has been the first full year of implementation of a Company-wide Work Performance System, designed to align individual and team accountabilities with the Company's strategic objectives.

New human resources policies that were developed and implemented during the year included a progressive maternity & paternity policy designed to incentivise new parents to return to the workforce, a new Diversity Policy supported by Board endorsed targets for the 2012 financial year and other equal opportunity measures designed to develop St Barbara as an employer of choice within the resources industry.

Following the implementation of Federal legislation in 2010 which changed the taxation consequences of employee options, the Remuneration Committee undertook a detailed examination of alternative long term incentive structures, received advice from external remuneration advisors and as an outcome, recommended a Performance Rights Plan as an alternative Long Term Incentive (LTI) mechanism to the employee option plan. This was approved by shareholders at the 2010 Annual General Meeting. To remain in step with emerging market best practice, the Company is currently undertaking a review of resources industry LTI vesting, benchmarking and performance measurement criteria.

With the anticipated completion of mining at Marvel Loch, Southern Cross in August 2012, the Company has implemented a retention strategy for key site personnel.

2. Decision making authorities for remuneration at St Barbara

The Company's remuneration policy and strategies are overseen by the Remuneration Committee on behalf of the Board. The Remuneration Committee is responsible for making recommendations to the Board on all aspects of remuneration arrangements for Key Management Personnel, and considers matters relating to the workforce in general including remuneration and employment policies, as well as employee benefits and entitlements. The Remuneration Committee Charter is approved by the Board and is published on the Company's web site.

Key Management Personnel comprise the five Non Executive Directors, the Managing Director and CEO, and the four most senior executives with the authority and responsibility for planning, directing and controlling the activities of the Company.

The members of the Remuneration Committee are all independent and Non Executive Directors.

As at the date of this report the members of the Committee are:

R K Rae	-	Chair, Non Executive Director
D W Bailey	-	Non Executive Director
E A Donaghey	-	Non Executive Director
S J C Wise	-	Non Executive Director

The Managing Director and CEO has delegated authority for approving remuneration recommendations for employees other than Executive Key Management Personnel.

3. Principles applied in determining the structure and amount of remuneration

Company remuneration practices are designed to attract, reward and retain high calibre, high performing, and team orientated individuals capable of delivering the business objectives.

The Remuneration Committee annually considers the appropriate levels and structure of remuneration for Key Management Personnel relative to the Company's circumstances, size and nature of business, as well as company performance. This is done by reference to independent data and professional advice where appropriate.

DIRECTORS' REPORT(a) Non Executive Directors' fees

Non Executive Directors' fees are reviewed annually by the Board, guided by the reports of independent remuneration consultants, to ensure fees are appropriate to reflect the responsibilities and time commitments required of Non Executive Directors to discharge their duties.

In order to maintain their independence and impartiality, the fees paid to Non Executive Directors are not linked to the performance of the Company. Non Executive Directors have no involvement in the day to day management of the Company.

Non Executive Directors' fees are also determined within an aggregate Directors' fee pool limit, which is set and varied only by approval of a resolution of shareholders. The fee pool limit from which Non Executive Directors' fees can be drawn is currently \$750,000 per annum in aggregate (approved by shareholders in November 2005).

(b) Executive Remuneration

Executive reward structures are transparent and are aligned with shareholders' interests by:

- being market competitive to attract and retain high calibre individuals;
- rewarding high individual performance;
- recognising the contribution of each senior executive to the continued growth and success of the Group;
- ensuring that long term incentives are based on total shareholder return outperformance over a period of three years.

To achieve these objectives, the remuneration of senior executives comprises a fixed salary component and an "at risk" variable component linked to the performance of the individual and the Company as a whole.

Fixed remuneration comprises base salary, superannuation contributions and other defined benefits. "At risk" variable remuneration comprises both short term and long term incentives.

Total Fixed Remuneration for each executive role is positioned at the 75th percentile of prevailing comparable market rates, to ensure that the Company is able to attract and retain a talented and capable workforce appropriate to meet its current and anticipated needs.

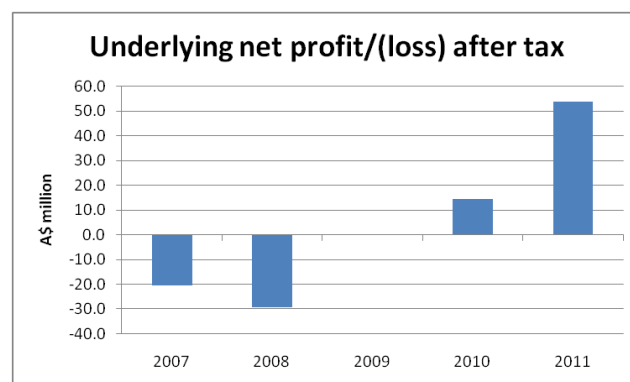
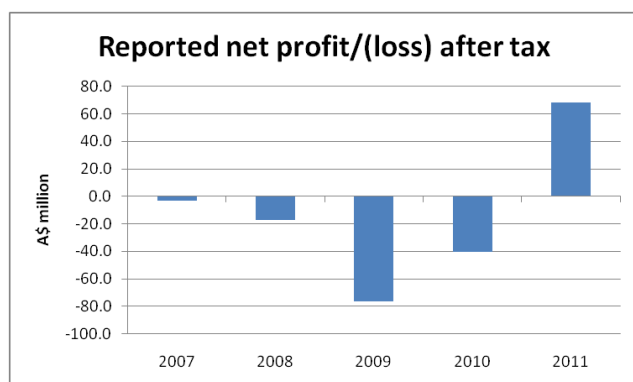
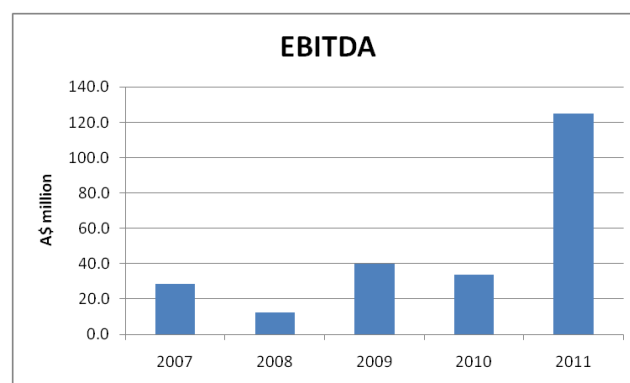
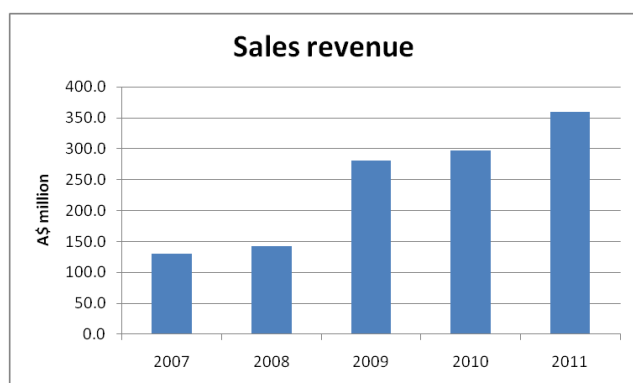
The Managing Director and CEO's total potential remuneration comprises a fixed component of 25% and a variable component at the maximum STI and LTI award of 75%. Each senior executive's total potential remuneration comprises a fixed component of 33% and a variable component of 67%. To achieve the maximum STI and LTI award requires outstanding achievement in the short term and over a three year period.

DIRECTORS' REPORT

4. Company Performance

In assessing the Company's performance and improvement in shareholder wealth, consideration is given to the following measures in respect of the current financial year and the previous four financial years. Company revenues have grown strongly each year since 2007, with a significant improvement in profitability.

Earnings	2011 \$	2010 \$	2009 \$	2008 \$	2007 \$
Sales revenue	359,575,000	296,760,000	281,129,000	143,129,000	130,911,000
EBITDA	125,190,000	33,793,000	39,701,000	12,340,000	28,364,000
Reported net profit/(loss) after tax	68,629,000	(40,188,000)	(76,344,000)	(17,333,000)	(2,894,000)
Underlying net profit/(loss) after tax	54,431,000	14,547,000	209,000	(29,291,000)	(20,653,000)



The table below provides the share price performance of the Company's shares in the 2011 financial year and the previous four financial years.

Share price history	2011	2010	2009	2008	2007
Period end share price (\$ per share)*	1.96	2.10	1.38	2.22	2.94
Average share price for the year (\$ per share)*	2.16	1.68	1.74	3.84	3.24

* The closing share price in the comparative periods have been restated following the 1 for 6 share consolidation approved by shareholders on 18 November 2010

During the 2011 financial year, the Company's daily closing share price traded in a range of \$1.74 to \$3.00 per share (2010: \$1.08 to \$2.70 per share).

5. Remuneration paid

Details of the remuneration of Directors and the senior executives of the Company during the year ended 30 June 2011 are set out in the following tables.

DIRECTORS' REPORT

2011	Short-term benefits				Post-employment benefits	Long-term benefits				Proportion of total performance related	Value of share based payments as % of total
Name	Cash salary & fees \$	STI payment \$	Non-monetary benefits ⁽⁶⁾ \$	Other \$	Super-annuation \$	Long Service Leave ⁽³⁾ \$	Share-based payments ⁽⁴⁾ \$	Termination payments \$	Total \$		
<i>Non Executive Directors</i>											
S J C Wise (Chairman)	184,801	-	16,469 ⁽⁵⁾	-	15,199	-	-	-	216,469	-	-
D W Bailey	100,000	-	-	-	9,000	-	-	-	109,000	-	-
B J Gibson ⁽¹⁾	39,716	-	-	-	3,574	-	-	-	43,290	-	-
P C Lockyer	100,000	-	-	-	9,000	-	-	-	109,000	-	-
R K Rae	98,893	-	-	-	8,900	-	-	-	107,793	-	-
E A Donaghey ⁽²⁾	22,392	-	-	-	2,015	-	-	-	24,407	-	-
Total Non Executive Directors	545,802	-	16,469	-	47,688	-	-	-	609,959		
<i>Executive Director</i>											
T J Lehany	832,801	110,416	7,594	-	15,199	22,878	242,048	-	1,230,936	9.0%	19.7%
<i>Other key management personnel</i>											
G Campbell-Cowan	405,801	60,519	3,797	-	15,199	18,771	48,987	-	553,074	10.9%	8.9%
D Rose	454,801	40,392	1,509	-	15,199	6,090	85,133	-	603,124	6.7%	14.1%
R Kennedy	348,801	40,950	3,797	-	15,199	12,696	45,883	-	467,326	8.8%	9.8%
P Uttley	348,801	50,050	3,797	-	15,199	4,651	66,208	-	488,706	10.2%	13.5%
Total Senior Executives	2,391,005	302,327	20,494	-	75,995	65,086	488,259	-	3,343,166		

(1) B J Gibson retired on 18 November 2010

(2) E A Donaghey was appointed on 4 April 2011.

(3) For current employees, the amount represents the long service leave expense accrued for the period.

(4) The value of options disclosed as remuneration is the portion of the fair value of the options recognised in the reporting period.

(5) Represents car parking, mobile phone, and other administrative benefits.

(6) For the Senior Executives, non monetary benefits comprise car parking and professional memberships.

DIRECTORS' REPORT

2010 Name	Short-term benefits				Post-employment benefits	Long-term benefits				Proportion of total performance related	Value of share based payments as % of total
	Cash salary & fees \$	STI payment \$	Non- monetary benefits \$	Other \$	Super- annuation \$	Long Service Leave ⁽⁵⁾ \$	Share-based payments ⁽⁶⁾ \$	Termination payments ⁽⁷⁾ \$	Total \$		
<i>Non Executive Directors</i>											
S J C Wise (Chairman)	175,539	-	14,945 ⁽⁸⁾	-	14,461	-	-	-	204,945	-	-
D W Bailey	94,037	-	-	-	8,463	-	-	-	102,500	-	-
B J Gibson	94,037	-	-	-	8,463	-	-	-	102,500	-	-
P C Lockyer	94,037	-	-	-	8,463	-	-	-	102,500	-	-
R K Rae	87,156	-	-	-	7,844	-	-	-	95,000	-	-
Total Non Executive Directors	544,806	-	14,945	-	47,694	-	-	-	607,445		
<i>Executive Director</i>											
T J Lehany	786,255	566,500	5,363	-	14,461	10,652	447,551	-	1,830,782	30.9%	24.4%
<i>Other key management personnel</i>											
G Campbell-Cowan	382,539	228,990	2,681	-	14,461	23,797	177,384	-	829,852	27.6%	21.4%
M Reed ⁽¹⁾	97,579	-	1,197	-	3,613	-	-	133,639	236,028	-	-
D Rose ⁽²⁾	357,124	175,744	1,513	50,000 ⁽⁹⁾	11,810	5,582	113,700	-	715,473	24.6%	15.9%
R Kennedy	335,539	168,354	2,681	-	14,461	27,037	148,360	-	696,432	24.2%	21.3%
P Uttley ⁽³⁾	255,526	140,595	-	-	10,966	4,301	88,425	-	499,813	28.1%	17.7%
A McArthur ⁽⁴⁾	94,664	-	-	-	5,921	-	-	-	100,585	-	-
Total Senior Executives	2,309,226	1,280,183	13,435	50,000	75,693	71,369	975,420	133,639	4,908,965		

(1) Mr Reed resigned as Chief Operating Officer on 11 September 2009.

(2) Mr Rose was appointed as Chief Operating Officer on 7 September 2009. The STI payment represents the pro-rata amount from commencement to 30 June 2010.

(3) Mr Uttley was appointed Executive General Manager Discovery & Growth on 28 September 2009. The STI represents the pro-rata amount from commencement to 30 June 2010.

(4) Mr McArthur ceased acting as General Manager Exploration on 30 September 2009.

(5) For current employees, the amount represents the long service leave expense accrued for the period.

(6) The value of options disclosed as remuneration is the portion of the fair value of the options recognised in the reporting period.

(7) Termination payments include amounts for accrued annual leave owing at the date of the employee's resignation, payment in lieu of service and other contracted payment.

(8) Represents car park, mobile phone, and other administrative benefits.

(9) Represents a sign-on payment.

DIRECTORS' REPORT*(a) Non Executive Directors Fees*

Non Executive Director fees for the 2011 financial year were determined having considered advice in 2010 from Oppeus International and remuneration reports published by Ernst & Young, McDonald and Company and Connect 4.

They comprised:

- Director fees of \$85,000;
- an allowance for chairing a Board Committee of \$16,000; and
- a fee for serving as a member of a Board Committee of \$8,000.

Non Executive Directors are not entitled to retirement benefits, bonuses or equity based incentives.

The Chairman's fee for the 2011 financial year was set at \$200,000 (inclusive of all Board Committee commitments), as well as benefits in the form of a car park, mobile telephone allowance and other administrative benefits.

The Chairman's fee is determined independently, based on roles and responsibilities in the external market for companies comparable with St Barbara Limited. The Chairman is not present at any discussions relating to the determination of his own remuneration.

Superannuation contributions, in accordance with legislation, are included as part of each Director's total remuneration. Directors may elect to increase the proportion of their remuneration taken as superannuation subject to legislative limits.

For the 2012 financial year, the Remuneration Committee has retained Ernst & Young for remuneration advice and McDonald and Company for market related data.

*(b) Senior Executives remuneration**(i) Fixed Remuneration- Base salary*

The base salary for each senior executive is influenced by the nature and responsibilities of the role and the knowledge, skills and experience required for the position.

Base salary for senior executives is reviewed annually as part of the Company's overall remuneration review process and is assessed against the individual's performance and comparable market data collated by an independent remuneration survey company. A senior executive's salary is also reviewed on promotion.

In considering remuneration for Executive Key Management Personnel for the 2011 financial year, the Remuneration Committee retained Ernst & Young and considered reports from McDonald and Company, as well as industry trend data and other relevant remuneration information.

For the 2012 financial year, the Remuneration Committee has retained Ernst & Young for remuneration advice and McDonald and Company for market related data.

(ii) Fixed Remuneration - Superannuation

In addition to statutory superannuation contributions, senior executives may elect to contribute additional amounts, subject to legislative limits.

DIRECTORS' REPORT

(iii) Fixed Remuneration - Benefits

Senior executives may receive benefits, including car parking, living away from home allowances, and payment for certain professional memberships. Any fringe benefits tax payable is deducted from an executive's remuneration.

(iv) Variable Remuneration - Short term incentives (STI)

The STI is an annual "at risk" component of remuneration for senior executives. It is payable based on performance against key performance indicators (KPIs) set at the beginning of the financial year. STI's are structured to remunerate senior executives for achieving annual Company targets and their own individual performance targets. The net amount of any STI after allowing for applicable taxation, is payable in cash.

KPI's require the achievement of strategic, operational or financial measures and in most cases are linked to the drivers of business performance. For each KPI there are defined "target" and "stretch" measures which are capable of objective assessment.

Target performance represents challenging but achievable levels of performance. Stretch performance requires significant performance above and beyond normal expectations and if achieved is anticipated to result in a substantial improvement in key strategic outcomes, operational or financial results, and/or the business performance of the Company.

The Remuneration Committee is responsible for recommending to the Board senior executive KPIs and then later assessing the extent to which the KPIs of the senior executives have been achieved, and the amount to be paid to each executive. To assist in making this assessment, the Committee receives detailed reports and presentations on the performance of the business from the Managing Director & CEO and independent remuneration consultants as required.

The Company STI measures that applied for the 2011 financial year comprised:

- improved safety performance - measured in the form of a specified reduction in the Total Recordable Injury Frequency Rate by 30 June 2011;
- the achievement of defined targets in excess of the:
 - budgeted underlying net profit after tax for the 2011 financial year, and
 - budgeted cash position as at 30 June 2011; and
- a discretionary factor determined by the Board designed to take into account unexpected events and achievements during the year.

The individual performance measures varied according to the individual executive's position, and for the 2011 financial year reflected value accretive and / or risk mitigation achievements for the benefit of the Company within each executive's respective areas of responsibility. They also included a discretionary factor determined by the Board designed to take into account unexpected events and achievements during the year.

The tables below describe the Short Term Incentives available to, and achieved by, senior executives during the year.

2011	Maximum potential STI		Actual STI included in remuneration	% of maximum 'Target' STI earned	% of maximum potential total STI earned	% of maximum potential total STI foregone
	Target \$	Stretch ⁽¹⁾ \$				
T J Lehany	424,000	848,000	110,416	26%	13%	87%
D Rose	188,000	376,000	40,392	21%	11%	89%
G Campbell-Cowan	168,400	336,800	60,519	36%	18%	82%
P Uttley	145,600	291,200	50,050	34%	17%	83%
R Kennedy	145,600	291,200	40,950	28%	14%	86%

(1) Inclusive of STI "Target"

Amounts shown as "Actual STI" represent the amounts accrued in relation to the 2011 financial year, based on achievement of the specified performance criteria. No additional amounts vest in future years in respect of the STI scheme for the 2011 financial year.

DIRECTORS' REPORT

(v) Variable Remuneration - Long term incentives (LTI)

LTI's are structured to reward senior executives for the long term performance of the Company relative to its peers and, commencing with the 2011 financial year, were granted in the form of Performance Rights. Previously, LTI's were granted in the form of employee options.

There were no options issued or exercised during the reporting period. For details on options currently issued to Key Management Personnel, refer Notes 36 and 37 of the Financial Report.

(A) Analysis of options granted as compensation

2011	Options granted			Value yet to vest			
	Number ⁽¹⁾	Date	% vested in year	% forfeited in year	Financial year options vest	Minimum (A) \$	Maximum (B) \$
T J Lehany	976,220	19 Nov 2009	-	-	30 June 2013	Nil	839,484
	251,350	6 May 2009	-	-	30 June 2012	Nil	223,534
G Campbell-Cowan	290,670	23 Sep 2009	-	-	30 June 2013	Nil	225,857
	201,193	6 May 2009	-	-	30 June 2012	Nil	180,461
D Rose	329,474	23 Sep 2009	-	-	30 June 2013	Nil	255,867
P Uttley	256,258	23 Sep 2009	-	-	30 June 2013	Nil	199,067
R Kennedy	256,258	23 Sep 2009	-	-	30 June 2013	Nil	199,067
	156,774	6 May 2009	-	-	30 June 2012	Nil	140,358

(1) The number of options issued have been restated following the 1 for 6 share consolidation approved by shareholders on 18 November 2010

- A The minimum value of options yet to vest is \$nil as the vesting service conditions, which are continuing service conditions and relative Total Shareholder Returns over a three year period, are still to be satisfied.
- B The maximum value of the options yet to vest represents the amount of the grant date fair value of the options that is still to be expensed in the income statement.

(B) Analysis of movements in the value of options granted and exercised

During the reporting period, there were no movements in the value of options granted and exercised.

(C) Performance Rights issued in the 2011 fiscal year.*Performance Rights Plan*

All performance rights were granted under the St Barbara Limited Performance Rights Plan, which was approved at the 2010 Annual General Meeting of shareholders. Performance rights issued to Mr Lehany, Managing Director & CEO, were also approved by shareholders at the same meeting.

Performance Rights granted

Details on performance rights over ordinary shares in the Company that were granted as compensation to each senior executive and details of performance rights that vested in the 2011 financial year are as follows:

2011	Number of performance rights granted during 2011	Issue price per performance right	Grant date	Expiry date	Fair value per performance right at grant date (\$ per share) ⁽¹⁾	Number of performance rights vested during FY2011
T J Lehany	757,819	-	23 Dec 2010	30 June 2013	-	-
D Rose	252,011	-	23 Dec 2010	30 June 2013	-	-
G Campbell-Cowan	225,737	-	23 Dec 2010	30 June 2013	-	-
P Uttley	195,174	-	23 Dec 2010	30 June 2013	-	-
R Kennedy	195,174	-	23 Dec 2010	30 June 2013	-	-

(1) The fair value of performance rights at grant date was determined using a Black-Scholes valuation to which a Monte Carlo simulation was applied to determine the probability of the market conditions associated with the rights being met. This methodology complied with the requirements of Australian Accounting standard AASB 2 *Share Based Payments*.

DIRECTORS' REPORT

Vesting conditions

The vesting of performance rights granted in 2011 is subject to a continuing service condition as at each vesting date, and achieving a relative Total Shareholder Return at the 50th percentile or better, for the period from the performance rights pricing date to 30 June 2013. No performance rights have been granted since the end of the financial year.

The Relative Total Shareholder Return (Relative TSR) is measured against a defined peer group of companies and the percentage of rights that vest is in accordance with the following rules:

Relative TSR Performance Over Measurement Period	% of Right to Vest
< 50 th percentile	0%
50 th percentile	30%
>50 th & < 75 th percentiles	Pro-rata between 30% & 100%
75 th percentile and above	100%

Comparator Group

The peer group against which Total Shareholder Return is measured comprises the following ASX listed, mid tier gold companies.

Company	
Intrepid Mines Limited ⁽¹⁾	Resolute Mining Limited ⁽¹⁾
Ramelius Resources Limited ⁽¹⁾	Silver Lake Resources Limited ⁽¹⁾
Saracen Mineral Holdings Limited	Catalpa Resources Limited
Kingsgate Consolidated Limited	Unity Mining Limited ⁽¹⁾
Regis Resources Limited ⁽¹⁾	OceanaGold Corporation

(1): During the 2011 financial year, Intrepid Mines Ltd, Ramelius Resources Ltd, Regis Resources Ltd, Resolute Mining Ltd, Silver Lake Resources Ltd, and Unity Mining Ltd replaced Newcrest Mining Ltd, Lihir Gold Ltd, Avoca Resources Ltd, Independence Group NL, Dominion Mining Ltd, and Apex Minerals NL, as these companies either ceased to be listed on the Australian Stock Exchange or the scale of their respective activities became vastly different to that of the Company.

For the financial year ending 30 June 2011, total shareholder returns for St Barbara Limited ranked seventh out of eleven relative to the comparator group. In the event that St Barbara does not improve its ranking over the three year vesting measurement period ending 30 June 2013, no performance rights will vest.

The Board reserves the right to make changes to the peer group to allow for changing circumstances (e.g. takeover) for peer group companies. In view of the elevated levels of corporate takeovers and mergers over the last two years involving ASX listed gold companies, the Company is also evaluating alternative objective measures for LTI vesting measurement.

Expiry and other conditions

All performance rights expire on the earlier of their expiry date, thirty days after resignation of the relevant executive or twelve months from the date of retirement or retrenchment.

Performance rights granted under the plan carry no dividend or voting rights. When exercisable, each performance right is convertible into one ordinary share.

The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the following Table. Fair values at grant date are independently determined using a Black Scholes option pricing model that takes into account the issue price (based on the volume weighted average closing market price for the 10 business days up to and including the last business day of the preceding fiscal year), the term of the performance right, the performance hurdle

DIRECTORS' REPORT

(Relative TSR) the share price at grant date and expected price volatility of the underlying share, no expected dividend yield and the risk free interest rate for the term of the performance right.

A Monte Carlo simulation is then performed to determine the probability of the market conditions associated with the rights being met. The probability estimated by the Monte Carlo simulation is then applied to the fair value determined by the Black-Scholes model. For rights issued during the year ended 30 June 2011, taking into account the impact of the market condition (as discussed above), the estimated fair value was \$nil.

Further information on performance rights is set out in Notes 36 and 37 to the Financial Statements.

Illustrative example of performance rights calculation

Executive Total Fixed Remuneration (TFR)	\$400,000
LTI award value (120% of TFR)	\$480,000
10 day VWAP performance rights price (post consolidation)	\$2.238 per performance right
Performance Rights to be granted ($\$480,000 \div \2.238)	214,477

Analysis of performance rights as compensation

2011	Performance rights granted			Value yet to vest			
	Number	Date	% vested in year	% forfeited in year	Financial year options vest	Minimum (A) \$	Maximum (B) \$
T J Lehany	757,819	23 Dec 2010	-	-	30 June 2013	Nil	Nil
G Campbell-Cowan	225,737	23 Dec 2010	-	-	30 June 2013	Nil	Nil
D Rose	252,011	23 Dec 2010	-	-	30 June 2013	Nil	Nil
P Uttley	195,174	23 Dec 2010	-	-	30 June 2013	Nil	Nil
R Kennedy	195,174	23 Dec 2010	-	-	30 June 2013	Nil	Nil

- A The minimum value of rights yet to vest is \$nil as the vesting service conditions, which are continuing service conditions and relative Total Shareholder Returns over a three year period, are still to be satisfied.
- B The maximum value of the rights yet to vest represents the amount of the grant date fair value of the options that is still to be expensed in the income statement.

Analysis of movements in the value of rights granted and exercised

2011	A	B	C
	Granted in year \$	Exercised in year \$	Lapsed in year \$
T J Lehany	-	-	-
G Campbell-Cowan	-	-	-
D Rose	-	-	-
P Uttley	-	-	-
R Kennedy	-	-	-

- A The value of options granted in the year is the fair value of the options calculated at grant date using a Black-Scholes option-pricing model, adjusted for the probability of market conditions being met using a Monte Carlo simulation. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.
- B The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Securities Exchange as at close of trading on the day the options were exercised after deducting the price paid to exercise the option.
- C The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using a Black-Scholes option-pricing model adjusted for the probability of market conditions being met using a Monte Carlo simulation.

DIRECTORS' REPORT**6. Summaries of service agreements for Executive Key Management Personnel**

Remuneration and other terms of employment for the Managing Director and CEO and the senior executives are formalised in service agreements. These agreements provide, where applicable, for the provision of performance related cash bonuses, other benefits including allowances, and participation in the St Barbara Limited Executive Option and Performance Rights Plans. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with senior executives may be terminated early by either party giving the required notice and subject to termination payments as detailed below.

T J Lehany – Managing Director and CEO

- Term of agreement – permanent employee, commencement 2 March 2009
- Payment of a termination benefit or early termination by the Company, other than for serious misconduct or serious breach of duty:
 - a) Where 6 months notice of termination is given; an additional 6 months base salary and superannuation payment, and any entitlement to a 'stretch performance' payment plus an amount equivalent to six months of notional 'target performance' payment (at the discretion of the Board), or
 - b) Where notice of immediate termination is given, 12 months base salary and superannuation, plus an amount equivalent to 12 months of a notional 'target performance' payment (at the discretion of the Board).

The other Executive Key Management Personnel are all permanent employees, entitled to payment of a termination benefit on early termination by the Company, other than for gross misconduct or for poor performance as judged by the Company in its absolute discretion, equal to between 6 and 8 months base salary and superannuation.

Loans to Directors and executives

There were no loans to Directors or executives during the financial year 2011.

Auditor independence

A copy of the Auditor's Independence Declaration required under section 307C of the Corporations Act 2001 is set out on page 26. The Directors are satisfied that the provision of these services did not impair the auditor's independence.

Indemnification and insurance of officers

The Company indemnifies all Directors of the Company named in this report, and a number of former Directors (including Mr Eduard Eshuys, Ms Barbara Gibson, Mr Richard Knight, Mr Hank Tuten, and Mr Mark Wheatley) and current and former executive officers of the Company and its controlled entities against all liabilities to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as Director or executive officer, unless the liability relates to conduct involving bad faith. The Company also has a policy to indemnify the Directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

During the year the Company paid an insurance premium for Directors and Officers Liability and Statutory Liability policies. The contract of insurance prohibits disclosure of the amount of the premium and the nature of the liabilities insured under the policy.

During the year the Company also paid the premium on a Personal Accident insurance policy on behalf of Directors, to insure them for travel while on Company business.

DIRECTORS' REPORT

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Environmental management

The Company regards compliance with environmental regulations as the minimum performance standard for its operations. The Company's operations in Western Australia are subject to environmental regulation under both Commonwealth and State legislation.

There were six non-compliances registered and externally reported for the Southern Cross operations during the 2011 financial year. At Leonora, there were sixteen non-compliances registered and externally reported. This was a significant increase in the number of incidents reported in the previous year, with the increase largely due to the number of instances of wind generated dust from the dry surface of the old Tarmoola tailings dam. The increase in reporting was due to the continual presence of personnel on site for the development of the King of the Hills underground mine throughout the year. None of the reported incidents were material in that there was minimal, if any, adverse impact on the environment. Remedial work in relation to these incidents has been scheduled to be undertaken during the year ending 30 June 2012. The formal reporting of the Leonora dust incidents did result in requests from regulators for details of proposed measures to be implemented to prevent recurrence and the timeframe for implementation of those measures. No formal notices relating to any of the environmental incidents were issued by regulators.

Non-audit services

During the prior year the Company did employ the auditor on assignments additional to their statutory audit duties. Details of the amounts paid or payable to the auditor, KPMG, for audit services provided during the 2011 financial year are set out in Note 26 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 26 to the financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*; and
- The Audit Committee annually informs the Board of the detail, nature and amount of any non-audit services rendered by KPMG during the most recent financial year and an explanation of why the provision of these services is compatible with auditor independence. If applicable, the Audit Committee recommends that the Board take appropriate action in response to the Audit Committee's report to satisfy itself of the independence of KPMG.

Events occurring after the end of the financial year

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected or may significantly affect in future years the Company's operations, the results of those operations or the state of affairs, except for the following items:

- In July 2011, the Group advised GE Commercial Finance of its intention to repay the equipment lease facility in full on 30 August 2011. At 30 June 2011, the outstanding balance was \$7,860,000.
- On 4 August 2011 the Group entered into a zero cost collar hedging facility for 100,000 ounces of gold from September 2011 to September 2012 to manage Australian dollar gold price risk associated with the estimated production from the remaining life of the Southern Cross mine. The facility was fully drawn down by

DIRECTORS' REPORT

purchasing put options and selling call options over 100,000 ounces of gold with the following strikes: bought put options at A\$1,550/oz, and sold call options at A\$1,610/oz.

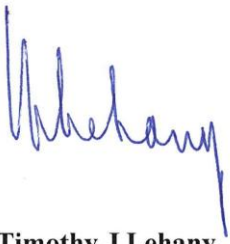
Rounding of amounts

St Barbara Limited is a Company of the kind referred to in Class Order 98/100 approved by the Australian Securities and Investments Commission and issued pursuant to section 341(1) of the Corporations Act 2001. As a result, amounts in this Directors' Report and the accompanying Financial Report have been rounded to the nearest thousand dollars, except where otherwise indicated.

This report is made in accordance with a resolution of Directors.

For and on behalf of the Board

Dated at Melbourne this 24th day of August 2011



Timothy J Lehany
Managing Director and CEO

DIRECTORS' REPORT

*Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001*

To: the directors of St Barbara Limited.

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Michael Bray', written over the printed name.

KPMG

A handwritten signature in black ink, appearing to read 'Michael Bray', written over the printed name.

Michael Bray
Partner

Melbourne

24 August 2011

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

FINANCIAL REPORT

Financial Report Table of Contents

CONSOLIDATED INCOME STATEMENT	28
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	29
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	31
CONSOLIDATED CASH FLOW STATEMENT	32
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	33
DIRECTORS' DECLARATION	85
INDEPENDENT AUDIT REPORT	86

This financial report covers both St Barbara Limited as an individual entity and the Group consisting of St Barbara Limited and its subsidiaries. The financial report is presented in the Australian currency.

St Barbara Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:

St Barbara Limited
Level 14, 90 Collins St
Melbourne VIC 3000

A description of the nature of the Group's operations and its principal activities is included in the review of operations and activities in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 24 August 2011. The Company has the power to amend and reissue the financial report.

FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Revenue from continuing operations	6	359,575	296,760
Mine operating costs		(208,021)	(207,688)
Gross profit		151,554	89,072
Other revenue	6	9,382	6,765
Other income	7	4,449	939
Exploration expensed		(13,284)	(5,184)
Corporate and support costs		(14,848)	(21,382)
Royalties		(13,693)	(11,790)
Depreciation and amortisation	8	(58,480)	(71,874)
Other expenditure		(6,230)	(2,628)
Operating profit/(loss)		58,850	(16,082)
Finance costs	8	(3,692)	(7,317)
Net realised/unrealised gains/(losses) on derivatives	9	13,471	(19,513)
Net realised/unrealised gain on available for sale assets	9	-	2,724
Profit/(loss) before income tax		68,629	(40,188)
Income tax expense	10	-	-
Profit/(loss) after income tax for the year		68,629	(40,188)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share (cents per share)	35	21.05	(13.64)
Diluted earnings/(loss) per share (cents per share)	35	20.94	(13.64)

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Assets			
Current assets			
Cash and cash equivalents	11	79,485	102,157
Trade and other receivables	12	24,140	15,480
Inventories	13	17,858	18,055
Derivative financial assets	21	2,085	-
Deferred mining costs	14	12,934	9,114
Total current assets		136,502	144,806
Non-current assets			
Property, plant and equipment	16	105,750	112,096
Deferred mining costs	14	10,230	-
Mine properties	17	283,991	216,530
Exploration and evaluation	18	11,629	5,735
Derivative financial assets	21	282	-
Total non-current assets		411,882	334,361
Total assets		548,384	479,167
Liabilities			
Current liabilities			
Trade and other payables	19	49,366	37,558
Interest bearing borrowings	20	10,491	7,116
Derivative financial liabilities	21	-	338
Provisions	22	7,982	6,913
Total current liabilities		67,839	51,925
Non-current liabilities			
Interest bearing borrowings	20	1,581	8,793
Derivative financial liabilities	21	10,468	38,336
Provisions	22	32,149	30,645
Total non-current liabilities		44,198	77,774
Total liabilities		112,037	129,699
Net Assets		436,347	349,468
Equity			
Contributed equity	23	615,521	614,997
Reserves	24(a)	1,049	(16,677)
Accumulated losses	24(b)	(180,223)	(248,852)
Total equity		436,347	349,468

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

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Profit/(loss) for the year		68,629	(40,188)
Other comprehensive income			
Changes in fair value of available for sale financial assets	24(a)	-	(6,687)
Changes in fair value of cash flow hedges taken to reserves	24(a)	17,102	(19,161)
Other comprehensive income net of tax⁽¹⁾		17,102	(25,848)
Total comprehensive profit/(loss) attributable to equity holders of the company		85,731	(66,036)

(1) Other comprehensive income comprises items of income and expense that are recognised in reserves or equity. These items are not recognised in the Income Statement as required by accounting standards. Total comprehensive profit/(loss) comprises the result for the year adjusted for the other comprehensive income.

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Note	Attributable to equity holders of the Company					Retained Earnings	Total
		Contributed Equity	Share Based Payments Reserve	Gold Cash Flow Hedge Reserve	Convertible Note Liability Reserve	Investment Fair Value Reserve		
		\$'000	\$'000	\$'000	\$'000	\$'000		
Balance at 1 July 2010		614,997	2,484	(19,161)	-	-	(248,852)	349,468
Share-based payments expense	24(a)	-	973	-	-	-	-	973
Unlisted options expired	24(a)	-	(104)	-	-	-	-	(104)
Unlisted options exercised	23(b)	524	(245)	-	-	-	-	279
Comprehensive income for the year		-	-	17,102	-	-	68,629	85,731
Balance at 30 June 2011		615,521	3,108	(2,059)	-	-	(180,223)	436,347

	Note	Attributable to equity holders of the Company					Retained Earnings	Total
		Contributed Equity	Share Based Payments Reserve	Gold Cash Flow Hedge Reserve	Convertible Note Liability Reserve	Investment Fair Value Reserve		
		\$'000	\$'000	\$'000	\$'000	\$'000		
Balance at 1 July 2009		496,176	1,841	-	432	6,687	(208,664)	296,472
Equity issues (net of transaction costs)	23(b)	118,821	-	-	-	-	-	118,821
Share-based payments expense	24(a)	-	1,175	-	-	-	-	1,175
Unlisted options expired	24(a)	-	(532)	-	-	-	-	(532)
Convertible note reserve transferred to income statement	24(a)	-	-	-	(432)	-	-	(432)
Comprehensive income for the year		-	-	(19,161)	-	(6,687)	(40,188)	(66,036)
Balance at 30 June 2010		614,997	2,484	(19,161)	-	-	(248,852)	349,468

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

FINANCIAL REPORT

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Cash Flows From Operating Activities:			
Receipts from customers (inclusive of GST)		354,397	293,619
Payments to suppliers and employees (inclusive of GST)		(228,015)	(209,774)
Interest received		5,122	4,575
Interest paid		(37)	(4,829)
Payments for exploration		(13,284)	(5,184)
Finance charges – finance leases		(962)	(1,232)
Borrowing costs		(99)	(554)
Net cash inflow from operating activities	33	117,122	76,621
Cash Flows From Investing Activities:			
Proceeds from sale of property, plant and equipment		3,016	276
Transaction costs on sale of property, plant and equipment		(45)	-
Proceeds from sale of tenements		2,000	-
Proceeds on sale of available for sale financial assets		-	9,907
Payments for property, plant and equipment		(12,207)	(10,210)
Payments for development of mining properties		(120,332)	(84,962)
Payments for tenements and land		-	(686)
Exploration and evaluation expenditure - capitalised		(8,863)	(2,762)
Net cash outflow from investing activities		(136,431)	(88,437)
Cash Flows From Financing Activities:			
Proceeds from issue of shares on conversion of options		279	-
Proceeds from borrowings: - finance leases		1,552	559
- insurance premium funding		2,747	-
Buy back and redemption of convertible notes		(1,200)	(75,588)
Convertible notes buy back transaction costs		-	(25)
Proceeds from equity raising		-	123,859
Equity raising transaction costs		-	(5,038)
Movement in restricted cash		264	23,951
Principal repayments - finance leases		(982)	(989)
- equipment financing facility		(5,061)	(4,542)
- insurance premium funding		(962)	(1,906)
Net cash (outflow)/inflow from financing activities		(3,363)	60,281
Net (decrease)/increase in cash and cash equivalents		(22,672)	48,465
Cash and cash equivalents at the beginning of the year		102,157	53,692
Cash and cash equivalents at the end of the year	11	79,485	102,157

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

Note 1	Summary of significant accounting policies	34
Note 2	New Standards adopted	45
Note 3	Financial risk management	45
Note 4	Critical Accounting Estimates and Judgements.....	50
Note 5	Segment Information	53
Note 6	Revenue	55
Note 7	Other income	56
Note 8	Expenses.....	56
Note 9	Significant items.....	57
Note 10	Income tax expense	58
Note 11	Cash and cash equivalents	59
Note 12	Trade and other receivables	59
Note 13	Inventories	59
Note 14	Deferred mining costs	60
Note 15	Financial instruments	61
Note 16	Property, plant and equipment.....	63
Note 17	Mine properties.....	64
Note 18	Exploration and evaluation	64
Note 19	Trade and other payables.....	65
Note 20	Interest bearing borrowings	65
Note 21	Derivative financial assets and liabilities.....	66
Note 22	Provisions.....	67
Note 23	Contributed equity.....	68
Note 24	Reserves and accumulated losses.....	69
Note 25	Parent Entity disclosures	70
Note 26	Remuneration of auditors.....	71
Note 27	Contingencies.....	71
Note 28	Commitments for expenditure.....	72
Note 29	Related party transactions.....	74
Note 30	Controlled entities.....	75
Note 31	Interests in joint ventures	75
Note 32	Events occurring after the balance sheet date.....	76
Note 33	Reconciliation of profit/(loss) after income tax to net cash flows from operating activities	76
Note 34	Non-cash investing and financing activities.....	76
Note 35	Earnings per share.....	77
Note 36	Share-based payments	78
Note 37	Key Management Personnel Disclosures.....	81

FINANCIAL REPORT

Note 1 Summary of significant accounting policies

St Barbara Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group"), and the Group's interest in associates and jointly controlled entities. The Group is primarily involved in the exploration for, and mining of, gold.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation*Statement of compliance*

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. Where required by accounting standards comparative figures have been adjusted to conform to changes in presentation in the current year. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations issued by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 24 August 2011.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items:

- Derivative financial instruments are measured at fair value
- Share based payment arrangements are measured at fair value
- Rehabilitation provision is measured at net present value

Critical accounting estimates

The preparation of financial statements in conformity with AASB and IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(b) Principles of consolidation*(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of St Barbara Limited ("Company" or "parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. St Barbara Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control commences until the date control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

FINANCIAL REPORT

Investments in subsidiaries are accounted for at cost within the Parent Entity disclosures at Note 25.

(ii) *Associates and jointly controlled entities*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of voting rights. An interest in an associate and a jointly controlled entity is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the joint venture entity and transactions with the joint venture are eliminated to the extent of the Group's ownership interest, until such time as they are realised by the joint venture entity on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(iii) *Jointly controlled operations and assets*

Details of unincorporated joint ventures and jointly controlled assets are set out in Note 31.

Where material, the proportionate interests in the assets, liabilities and expenses of a joint venture activity are incorporated in the financial statements under the appropriate headings.

(c) **Segment reporting**

A reportable segment is a component of the Group that engages in business activities from which it may earn revenues or incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating results of all reportable segments are regularly reviewed by the Group's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment and those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and related depreciation, and corporate expenses.

Segment capital expenditure represents the total cost incurred during the year for mine developments and acquisitions of property, plant and equipment.

(d) **Foreign currency translation**

(i) *Functional and presentation currency*

The consolidated financial statements are presented in Australian dollars, which is also St Barbara Limited's functional currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in the income statement as part of the fair value gain or loss. Translation differences on non monetary financial assets, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

FINANCIAL REPORT

(e) Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of amounts collected on behalf of third parties. The Group recognises revenue when the significant risks and rewards of ownership have been transferred to the buyer, the amount of revenue can be reliably measured and the associated costs can be estimated reliably, and it is probable that future economic benefits will flow to the Group.

Revenue is recognised for the major business activities as follows:

(i) Product sales

Amounts are recognised as sales revenue when there has been a transfer of risk and rewards to a customer and selling prices are known or can be reasonably estimated.

Gains and losses, including premiums paid or received, in respect of forward sales, options and other deferred delivery arrangements, which hedge anticipated revenues from future production, are deferred and included in sales revenue when the hedged proceeds are received.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(iv) Gains on disposal of available-for-sale financial assets and property, plant and equipment

Revenue is recognised when the risks and rewards of ownership have been transferred, which is usually considered to occur on settlement.

(v) Third party toll treatment revenue

Toll treatment revenue represents revenue earned for processing third party ore through the Group's processing facilities. Revenue is recognised when the third party's product is in a form suitable for delivery, and no further processing is required by the Group, and there has been a transfer of risk to the third party.

(f) Exploration and evaluation/mine properties**(i) Exploration, evaluation and feasibility expenditure**

All exploration and evaluation expenditure incurred up to establishment of reserves is expensed as incurred. From the point in time when reserves are established, exploration and evaluation expenditure is capitalised and carried forward in the financial statements, in respect of areas of interest for which the rights of tenure are current and where such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

Exploration and evaluation expenditure consists of an accumulation of acquisition costs and direct exploration and evaluation costs incurred, together with an allocation of directly related overhead expenditure.

Feasibility expenditure represents costs related to the preparation and completion of a feasibility study to enable a development decision to be made in relation to that area of interest. Feasibility expenditures are expensed as incurred until a decision has been made to develop the area of interest.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment policy, Note 1(j)). For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates.

When an area of interest is abandoned, or the Directors determine it is not commercial, accumulated costs in respect of that area are written off in the period the decision is made.

FINANCIAL REPORT

(ii) Mines under construction

Mine development expenditure is accumulated separately for each area of interest in which economically recoverable reserves have been identified. This expenditure includes direct costs of construction, an appropriate allocation of overheads and borrowing costs capitalised during construction. Once a development decision has been taken, all capitalised exploration, evaluation and feasibility expenditure in respect of the area of interest is aggregated with the costs of construction and classified under non-current assets as mine development.

(iii) Mine development

Mine development expenditure represents the acquisition cost and/or accumulated exploration, evaluation and development expenditure in respect of areas of interest in which mining has commenced.

When further development expenditure is incurred in respect of a mine, after the commencement of production, such expenditure is carried forward as part of the mine development only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of production and expensed as incurred.

Mine development costs are deferred until commercial production commences, at which time they are amortised on a unit-of-production basis over mineable reserves. The calculation of amortisation takes into account future costs which will be incurred to develop all the mineable reserves. Changes to mineable reserves are applied from the beginning of the reporting period and the amortisation charge is adjusted prospectively from the beginning of the period.

(g) Deferred mining expenditure

Certain mining costs, principally those that relate to the stripping of waste and operating development in underground operations, which provide access so that future economically recoverable ore can be mined, are deferred in the statement of financial position as deferred mining costs.

(i) Underground operations

In underground operations mining occurs progressively on a level-by-level basis. In these operations an estimate is made of the life of level average underground mining cost per recoverable ounce to expense underground costs in the income statement. Underground mining costs in the period are deferred based on the metres developed for a particular level. Previously deferred underground mining costs are released to the income statement based on the recoverable ounces produced in a level multiplied by the life of level cost per recoverable ounce rate.

Grade control drilling is deferred to the statement of financial position on a level-by-level basis. These amounts are released to the income statement as ounces are produced from the related mining levels.

(ii) Open pit operations

The amount of mining costs deferred is based on the ratio obtained by dividing the waste tonnes mined by the quantity of gold ounces contained in the ore. Mining costs incurred in the period are deferred to the extent that the current period waste to contained gold ounce ratio exceeds the life of mine waste to ore ratio.

Deferred mining costs are then charged against reported earnings to the extent that, in subsequent periods, the ratio falls below the life of mine ratio. The life of mine ratio is based on economically recoverable reserves of the operation.

The life of mine ratio is a function of an individual mine's design and therefore changes to that design will generally result in changes to the ratio. Changes in other technical or economic parameters may impact reserves, which will then impact the life of mine ratio. Changes to the life of mine ratio are accounted for prospectively.

In the production stage of some operations further development of the mine requires a phase of unusually high overburden removal activity that is similar in nature to pre-production mine development. The costs of such unusually high overburden removal are deferred and charged against earnings in subsequent periods on a unit-of-production basis.

FINANCIAL REPORT

(h) Taxes*(i) Income tax*

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

(ii) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing or financing activities, which are recoverable from, or payable to, the taxation authority are classified as part of operating cash flows.

FINANCIAL REPORT

(i) Leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at inception of the lease at the lower of the fair value of the leased property and the present value of the minimum future lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(j) Impairment of assets

All asset values are reviewed at each reporting date to determine whether there have been any events or changes in circumstances that indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds the recoverable amount. Impairment losses are recognised in the income statement.

(k) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are usually due for settlement no more than 30 days from the date of recognition. Cash placed on deposit with a financial institution to secure bank guarantee facilities and restricted from use within the business is disclosed as trade and other receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(m) Inventories

Raw materials and stores, ore stockpiles, work-in-progress and finished gold stocks are valued at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure relating to mining activities, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

FINANCIAL REPORT

(n) Investments and other financial assets

The Group classifies its investments and other financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Investments and other financial assets are recognised initially at fair value plus, for assets not at fair value through profit and loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, investments and other financial assets are measured as described below.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading, which were acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading, unless they are designated as hedges. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in the income statement. Attributable transaction costs are recognised in the income statement when incurred.

(ii) Available-for-sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non current assets, unless management intends to and can dispose of the investment within 12 months of the balance sheet date.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses, are recognised as a separate component of equity net of attributable tax. When an asset is derecognised the cumulative gain or loss in equity is transferred to the income statement.

(o) Derivative financial instruments

Derivative financial instruments may be held to protect against the Group's Australian dollar gold price risk exposures. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 21. Movements in the hedging reserve in shareholders' equity are shown in Note 24.

(i) Cash flow hedge

The fair value of gold option contracts comprises intrinsic value, that is, the extent to which the components of an option collar are in the money due to a gold forward price falling below or rising above the option strike prices, and time value.

The effective portion of changes in the intrinsic value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion and time value is recognised immediately in the income statement.

Amounts accumulated in equity are recycled through the income statement in the periods when the hedged item affects profit or loss (for instance, when the forecast gold sale that is hedged takes place). The gain or loss relating to the effective portion of the financial instrument hedging Australian dollar gold sales is recognised in the income statement within 'net realised gains on derivatives'.

FINANCIAL REPORT

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(ii) *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(p) **Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement, or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using generally accepted valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(q) **Property, plant and equipment**

Buildings, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

FINANCIAL REPORT

Depreciation of assets is calculated using the straight line method to allocate the cost or revalued amounts, net of residual values, over their estimated useful lives, as follows:

- Buildings	10 – 15 years
- Plant and equipment	3 – 10 years
- Fixtures and fittings	10 – 15 years

Where the carrying value of an asset is less than its estimated residual value, no depreciation is charged. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(j)).

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These gains and losses are included in the income statement when realised.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which remains unpaid as at reporting date. The amounts are unsecured and are usually paid within 30 days from the end of the month of recognition.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

The fair value of the liability portion of convertible debt is determined using a market interest rate for an equivalent nonconvertible debt. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the debt. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are recognised as expenses in the period in which they are incurred.

(u) Provisions

Provisions, including those for legal claims and rehabilitation and restoration costs, are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has commenced or has been announced publicly. Future operating costs are not provided for.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects

FINANCIAL REPORT

current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(v) **Employee benefits**

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

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be paid within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid, including expected on-costs, when the liabilities are settled.

(ii) *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made, plus expected on-costs, in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Share-based payments*

Share-based compensation benefits are provided to employees via the St Barbara Limited Employees' Option Plan and the Performance Rights Plan. Information relating to these schemes is set out in Note 36.

The fair value of options granted under the St Barbara Limited Employees' Option Plan or rights granted under the Performance Rights Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or rights. The amount recognised is adjusted at each reporting date to reflect the actual number of share options not expected to vest, based on expectations of performance related conditions. Adjustments to the amount recognised at each reporting date are taken through the Income Statement.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Upon the exercise of options or rights, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(iv) *Retirement benefit obligations*

Contributions to defined contribution funds are recognised as an expense as they are due and become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group has no obligations in respect of defined benefit funds.

(v) *Executive incentives*

Senior executives may be eligible for Short Term Incentive payments ("STI") subject to achievement of Key Performance Indicators, as recommended by the Remuneration Committee and approved by the Board of Directors. The Group recognises a liability and an expense for STIs in the reporting period during which the service is provided by the employee.

(vi) *Termination benefits*

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment.

FINANCIAL REPORT

(w) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

If the entity reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the income statement and the consideration paid, including any directly attributable incremental costs, is recognised directly in equity.

(x) Earnings per share*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for bonus elements in ordinary shares issued during the reporting period.

(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.

(y) Rehabilitation and mine closure

The Group has obligations to dismantle, remove, restore and rehabilitate certain items of property, plant and equipment and areas of disturbance during mining operations.

Under AASB 116 *Property, Plant and Equipment*, the cost of an asset must include any estimated costs of dismantling and removing the asset and restoring the site on which it is located. The capitalised rehabilitation and mine closure costs are depreciated (along with the other costs included in the asset) over the asset's useful life.

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* requires a provision to be made for the estimated cost of rehabilitation and restoration of areas disturbed during mining operations up to reporting date but not yet rehabilitated. Provision has been made in full for all the disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of contouring, topsoiling and revegetation to meet legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

There is some uncertainty as to the amount of rehabilitation obligations that will be incurred due to the impact of changes in environmental legislation and many other factors, including future developments, changes in technology and price increases.

At each reporting date the rehabilitation liability is remeasured in line with changes in the timing and /or amounts of the costs to be incurred and discount rates. The liability is adjusted for changes in estimates. Adjustments to the estimated amount and timing of future rehabilitation and restoration cash flows are a normal occurrence in light of the significant judgments and estimates involved.

As the value of the provision represents the discounted value of the present obligation to restore, dismantle and rehabilitate, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(z) 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 financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

FINANCIAL REPORT

(aa) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

Note 2 New Standards adopted

The Company has adopted the new and/or revised Standards, Amendments and Interpretations from 1 July 2010:

- AASB 2010-3: *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues*
- AASB 2009-5: *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process*
- AASB 2009-8: *Amendments to Australian Accounting Standards – Group cash-settled share-based payment transactions*

Adoption of the above Standards, Amendments and Interpretations did not have any effect on the financial position or performance of the Group.

An amendment to AASB 107 *Statement of Cash Flows* (contained within AASB 2009-5), limits the disclosure of items as investing activities in the statement of cash flows to those expenditures which result in a recognised asset in the statement of financial position. This amendment affects the Group's disclosure of payments for exploration and evaluation expenditure. In prior years, the entire amount of this expenditure was disclosed in investing activities. The effect of the revised standard has resulted in only that portion of exploration expenditure which has been capitalised to be disclosed as an investing activity, with the balance of exploration expenditure disclosed as operating activities. Prior year comparatives have been adjusted on this basis.

Note 3 Financial risk management

This note presents information about each of the financial risks that the Group is exposed to, the policies and processes for measuring and managing financial risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Group's activities expose it to a variety of financial risk, being: market risk (especially gold price and exchange rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of commodity markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group may use derivative instruments as appropriate to manage certain risk exposures.

Risk management in relation to financial risk is carried out by a centralised treasury function in accordance with policies approved by the Board of Directors.

(a) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments, cash flows and financial position. The Group may enter into derivatives, and also incur financial liabilities, in order to manage market risks. All such transactions are carried out within guidelines set by the Board.

FINANCIAL REPORT

(i) Commodity price risk

The Group is exposed to Australian dollar gold price risk. This risk arises through the sale of gold.

The table below shows the effect of the 5 year average annual Australian dollar gold price movement on the trade receivables balance at year end:

	5 year average annual price movement	Change in trade receivables	
		2011 \$'000	2010 \$'000
Commodity: gold (AUD)	14%	2,110	1,156

The Group is managing commodity price risk in relation to the King of the Hills operation by using a combination of gold put options and gold call options to create a zero-cost option collar structure as described in (b) below.

(ii) Currency risk

The Group is exposed to currency risk on gold sales where the Australian dollar spot gold price is quoted as a function of US dollars and the prevailing exchange rate. The Group may from time to time use Australian dollar derivatives to manage the risks associated with the gold price and currency rates.

(iii) Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's interest rate policy does not require a fixed and pre-determined proportion of its interest rate exposure to be hedged. Any decision to hedge interest rate risk will be assessed at the inception of each floating rate debt facility in relation to the overall Group exposure, the prevailing interest rate market, and any funding counterparty requirements.

(b) Cash flow hedges

The Group may from time to time be party to derivative financial instruments in the normal course of business to protect future revenue from gold operations from a significant fall in the Australian dollar price of gold, in accordance with the Group's financial risk management policies.

During June 2010, the Company entered into a zero cost collar hedging facility for 250,000 ounces of gold over a five year period to manage Australian dollar gold price risk associated with the estimated production from the King of the Hills mine. The facility was fully drawn down by purchasing put options and selling call options over 250,000 ounces of gold (collar structure) with the following strikes:

- Bought put options at A\$1,425/oz
- Sold call options at A\$1,615/oz

During financial year 2011, 12,000 ounces of put options were exercised (2010: nil) and the equivalent ounces of call options expired.

The maturity profile of the put and call option contracts as at 30 June 2011 is provided in the table below.

Strike Price	Total ounces	6 months or less ounces	6 – 12 months ounces	1 – 2 years ounces	2 – 5 years ounces	More than 5 years ounces
Put: A\$1,425/oz	238,000	33,000	30,000	64,252	110,748	-
Call: A\$1,615/oz	238,000	33,000	30,000	64,252	110,748	-

At the date of entering into the collar structure, the net fair value of the put and call options was zero dollars. At 30 June 2011, the fair value of all remaining put and call option contracts was negative \$8,101,000 (June 2010: negative \$38,674,000). \$6,042,000 (June 2010: \$19,513,000) of this negative fair value represents an unrealised

FINANCIAL REPORT

loss related to time value of the 238,000 ounces outstanding at 30 June 2011 (June 2010: 250,000 ounces). The movement of \$13,471,000 from 30 June 2010 was recognised in the income statement, and includes the reversal of unrealised losses recognised at 30 June 2010 for options that were exercised, or expired, during the period (refer to note 1(o)) amounting to \$525,000. The remaining \$2,059,000 of the negative fair value recorded at 30 June 2011 represented an unrealised loss related to the intrinsic value of the options, and was recognised in the hedging reserve in equity.

The relationship between currencies, spot gold price and volatilities is complex and changes in the spot gold price can influence volatility, and vice versa.

The following table summarises the impact of an A\$100 change in the Australian dollar gold price (all other variables held constant) on the valuation of the gold option fair values.

Gold Price Sensitivity	Impact on post-tax result ⁽¹⁾		Impact on equity net of tax ⁽²⁾	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
+A\$100 change in AUD spot price	(9,074)	(3,161)	(8,966)	(19,266)
-A\$100 change in AUD spot price	9,074	3,161	8,966	19,266

(1) Represents the movement in time value.

(2) Represents the movement in intrinsic value.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract. The Group is exposed to credit risk from its operating activities (primarily customer receivables) and from its financing activities, including deposits with banks and financial institutions and derivatives.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets, other than available for sale assets.

Credit risks related to receivables

The Group's most significant customer accounts for \$13,770,000 of the trade receivables carrying amount at 30 June 2011 (2010: \$8,294,000), representing receivables owing from gold sales. Settlement of the receivables relating to gold sales occurred on 7 July 2011. Based on historic rates of default, the Group believes that no impairment has occurred with respect to trade receivables, and none of the trade receivables at 30 June 2011 were past due.

Credit risks related to cash deposits and derivatives

Credit risk from balances with banks and financial institutions derivative counterparties is managed by the centralised Treasury function in accordance with Board approved policy. Investments of surplus funds are only made with approved counterparties (minimum Standard & Poor's credit rating of "AA-") and there is a financial limit on funds placed with any single counterparty.

Derivative transactions are only made with approved counterparties (minimum Standard & Poor's credit rating of "AA-"), and more than one counterparty is used when tranches of derivatives are entered into. Derivatives transactions cover only a small proportion of total Group production with maturities occurring over a period of time (refer Note 3(b)).

FINANCIAL REPORT

(d) Capital management

The Group's total capital is defined as total shareholders' funds plus net debt.

Consolidated capital	2011	2010
	\$'000	\$'000
Total shareholders' funds	436,347	349,468
Borrowings	12,072	15,909
Cash and cash equivalents ⁽¹⁾	(12,072)	(15,909)
Total capital	436,347	349,468

(1) Cash and cash equivalents are included to the extent that the net debt position is nil.

The Group does not have a target debt/equity ratio. There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements other than normal banking requirements.

Cash and cash equivalents does not include cash held on deposit with a financial institution as security for a bank guarantee facility totalling \$123,000 (2010: \$388,000) at the reporting date.

Borrowings include \$7,860,000 for an equipment financing loan facility agreement with GE Commercial Finance used to fund the construction and purchase of certain infrastructure assets at Gwalia. The facility is secured against the equipment financed and is repayable over 48 months. The interest rate is the 90 day bank bill rate plus an interest margin of 2.8%. Under the terms of the GE facility, there are a number of undertakings related to the performance of the Company, and non-compliance with these undertakings could constitute an event of default. In the year, and as at 30 June 2011, there were no events of default under the facility.

The Company has a \$25,000,000 performance bond facility with the National Australia Bank Limited (NAB) to provide security for performance obligations incurred in the ordinary course of business. The NAB facility does not require cash backing. Security is provided in the form of a fixed and floating charge over the Company's assets (except those held as security for the GE facility and other finance leases), and mining tenements held by the Company. Under the terms of the NAB facility, there are a number of undertakings related to the performance of the Company, and non-compliance with these undertakings could constitute an event of default. Under the terms of the facility the Company has up to 90 days to remedy or rectify a non-compliance event in relation to the undertakings. In the year, and as at 30 June 2011, there were no events of default under the facility.

On 21 August 2009, the Company entered into a A\$50,000,000 Equity Line standby facility from US-based investment fund YA Global. Under the terms of the facility St Barbara may, at its discretion, issue ordinary shares to YA Global at any time over a 60 month period up to a total of A\$50,000,000. There has been no draw down under this facility.

(e) Liquidity risk

Prudent liquidity risk management requires maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Surplus funds are invested in instruments that are tradeable in highly liquid markets.

FINANCIAL REPORT

Maturities of financial liabilities

The table below analyses the Group's financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity of financial liabilities - 2011						
\$'000	Less than 6 months	6 – 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Finance lease liabilities	575	550	1,722	-	2,847	2,541
Equipment finance facility ⁽²⁾	8,023	-	-	-	8,023	7,860
Insurance funding liability	1,215	608	-	-	1,823	1,785
Trade and other payables	49,366	-	-	-	49,366	49,366
Derivative financial liabilities ⁽¹⁾	-	-	10,468	-	10,468	10,468
	59,179	1,158	12,190	-	72,527	72,020

(1) Represents the mark-to-market valuation of the option collar structure, and does not represent a contractual cash flow. The mark-to-market valuations at 30 June 2011 will change over time as contracts mature, or with changes in the spot gold price and other option pricing variables.

(2) A decision was taken after the reporting date to repay the GE Commercial Finance facility in full on 30 August 2011.

Maturity of financial liabilities - 2010						
\$'000	Less than 6 months	6 – 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Convertible notes	1,208	-	-	-	1,208	1,200
Finance lease liabilities	534	369	1,281	-	2,184	1,994
Equipment finance facility	2,957	2,977	8,090	-	14,024	12,921
Trade and other payables	37,558	-	-	-	37,558	37,558
Derivative financial liabilities ⁽¹⁾	-	338	38,336	-	38,674	38,674
	42,257	3,684	47,707	-	93,648	92,347

(1) Represents the mark-to-market valuation of the gold option collar structure, and does not represent a contractual cash flow. The mark-to-market valuations at 30 June 2010 will change over time as contracts mature, or with changes in the spot gold price and other option pricing variables.

(f) Fair value estimation*On-Balance Sheet*

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

The fair value of the gold put and call options is as disclosed in Note 4(vii).

Off-Balance Sheet

The Group has potential financial liabilities that may arise from the contingency disclosed in Note 27. As explained in that note, no material losses are anticipated in respect of any of that contingency, subject to the outcome of the judgement and any subsequent appeal in the Kingstream matter. Fair values for off-balance sheet assets or liabilities are the Directors' estimate of amounts which would be payable by the Group as consideration for the assumption of those contingencies by another party.

FINANCIAL REPORT

Fair values

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

	2011		2010	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial assets				
- Cash and cash equivalents	79,485	81,083	102,157	101,861
- Restricted cash	123	123	388	388
- Receivables	20,454	20,454	12,238	12,238
- Gold put and call options (zero cost collar)	2,367	2,367	-	-
	102,429	104,027	114,783	114,487
Financial liabilities				
- Payables	49,366	49,366	37,558	37,558
- Convertible notes	-	-	1,200	1,200
- Equipment financing facility	7,860	7,847	12,921	12,902
- Gold put and call options (zero cost collar)	10,468	10,468	38,674	38,674
- Other loans	4,326	4,326	1,994	1,994
	72,020	72,007	92,347	92,328

Note 4 Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates under different assumptions and conditions. Estimates and judgements are continually evaluated and are based on historical experience and on various other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is changed and in any future periods affected.

The Group has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made, and where actual results may differ from these estimates under different assumptions and conditions that could materially affect financial results or financial position reported in future periods.

(i) Ore reserve estimates

Reserves are estimates of the amount of gold product that can be economically extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, future capital requirements, short and long term commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data. This process may require complex and difficult geological judgements and calculations to interpret the data.

The Group determines and reports ore reserves under the Australian Code for Reporting of Mineral Resources and Ore Reserves December 2004, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves. Due to the fact that economic assumptions used to estimate reserves change from period to period, and geological data is generated during the course of operations, estimates of reserves may change from period to period.

Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including:

- Asset carrying values may be impacted due to changes in estimated future cash flows.
- Depreciation and amortisation charged in the income statement may change where such charges are calculated using the units of production basis.

FINANCIAL REPORT

- Underground capital development and waste stripping costs deferred in the balance sheet or charged in the income statement may change due to a revision in the development amortisation rates and stripping ratios.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

(ii) Units of production method of amortisation

The Group applies the units of production method for amortisation of its life of mine specific assets, which results in an amortisation charge proportional to the depletion of the anticipated remaining life of mine production. These calculations require the use of estimates and assumptions in relation to reserves and resources, metallurgy and the complexity of future capital development requirements; changes to these estimates and assumptions will impact the amortisation charge in the income statement and asset carrying values.

(ii) Amortisation of underground operating development

The Group applies the units of production method for amortisation of underground operating development. The amortisation rates are determined on a level-by-level basis. In underground operations an estimate is made of the life of level average underground mining cost per recoverable ounce to expense underground costs in the income statement. Underground mining costs in the period are deferred based on the metres developed for a particular level. Previously deferred underground mining costs are released to the income statement based on the recoverable ounces produced in a level multiplied by the life of level cost per recoverable ounce rate.

Grade control drilling is deferred to the statement of financial position on a level-by-level basis. These amounts are released to the income statement as ounces are produced from the related mining levels.

(iii) Impairment of assets

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular assets that may lead to impairment. The recoverable amount of each Cash Generating Unit (CGU) is determined as the higher of value-in-use and fair value less costs to sell, in accordance with accounting policy 1(j). These calculations require the use of estimates, which have been outlined in accounting policy 1(j). Value-in-use is generally determined as the present value of the estimated future cash flows. Present values are determined using a risk adjusted discount rate appropriate to the risks inherent in the asset.

Given the nature of the Group's mining activities, future changes in assumptions upon which these estimates are based may give rise to a material adjustment to the carrying value of the CGU. This could lead to the recognition of impairment losses in the future. The inter-relationships of the significant assumptions upon which estimated future cash flows are based, however, are such that it is impracticable to disclose the extent of the possible effects of a change in a key assumption in isolation.

Future cash flow estimates are based on expected production volumes, the short and long term forecasts of the Australian dollar gold price, ore reserves, operating costs, future capital expenditure and restoration and rehabilitation costs. Management is required to make these estimates and assumptions, which are subject to risk and uncertainty. As a result there is a possibility that changes in circumstances will alter these projections, which could impact on the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be impaired, giving rise to an impairment charge in the income statement.

Value in use in relation to the Group's Leonora and Southern Cross cash generating units at 30 June 2011 was determined by discounting the future cash flows generated from the continuing use of each operation and was based on the following key assumptions:

- Cash flows were projected based on the life of mine plan of each operation, which is predominantly based on ore reserves.
- Revenue was projected using a forecast gold price, which takes into consideration the prevailing spot price, and forward projections as at 30 June 2011.
- Cash operating costs take into consideration an estimate of inflation.
- A pre-tax nominal discount rate of 11.49% based on the weighted average cost of capital.

The above estimates are particularly sensitive to a change in the gold price.

FINANCIAL REPORT

(iv) Exploration and evaluation expenditure

As set out in Note 1(f) exploration and evaluation expenditure is capitalised where reserves have been established for an area of interest and it is considered likely to be recoverable from future exploitation or sale. The accounting policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. These estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the accounting policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.

(v) Rehabilitation and mine closure provisions

As set out in Note 1(y), the value of these provisions represents the discounted value of the present obligation to restore, dismantle and rehabilitate each site. Significant judgement is required in determining the provisions for mine rehabilitation and closure as there are many transactions and other factors that will affect the ultimate costs necessary to rehabilitate the mine sites. The discounted value reflects a combination of management's best estimate of the cost of performing the work required, the timing of the cash flows and the discount rate.

A change in any, or a combination of, the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions (refer to Note 22). The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the balance sheet by adjusting both the restoration and rehabilitation asset and provision.

In estimating the rehabilitation provision at 30 June 2011, the following assumptions were made:

- Timing of rehabilitation outflows was based on the life of mine plan of each operation, with the rehabilitation of legacy areas of disturbance scheduled accordingly.
- Mine demolition costs are estimated on the basis of the expected mine life of each operation. Costs are adjusted for potential receipts through the sale of scrap metal.
- Inflation is not applied to cost estimates.
- A pre-tax real discount rate of 8.25% based on the weighted average cost of capital.

(vi) Deferred tax

At 30 June 2011 the Group had a net deferred tax liability from taxable temporary differences of \$217,075,000 offset by a deferred tax asset from deductible temporary differences of \$48,543,000 and carried forward tax losses of \$168,532,000 (before being tax effected). Further carried forward tax losses of \$174,157,000 have not been recognised at 30 June 2011. In determining whether to recognise these additional tax losses, the directors considered the probability as to whether the Group will have future taxable profits available against which carry forward tax losses could be utilised. The probability of future taxable profits is based on the low case scenario in the Group's most recent three year business plan, and takes into account sensitivities to changes in forecast gold prices, cost inflation and operational performance. Utilisation of carry forward tax losses is also subject to tax legislation not changing in a manner that would adversely affect the Group's ability to recoup its tax losses.

As stated above, a deferred tax asset has not been recognised at 30 June 2011 in respect of accumulated tax losses of \$174,157,000 (representing an unbooked deferred tax asset of \$52,247,000 (2010: \$71,626,000)) because it is not probable that the Group will be able to utilise these tax losses as at the reporting date.

(vii) Derivative financial instruments

The Group assesses the fair value of its gold bought put and sold call options (the "collar structure") at each reporting date.

At 30 June 2011, the fair value of the collar structure was negative \$8,101,000. Refer to Note 3(b) for details of the impact fair value movements have on the financial statements.

Fair values have been determined using a 'Level 2' valuation method involving the use of a generally accepted option valuation model: inputs are based on market observable data for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices), at the reporting date and compared with valuations provided by the counterparties to the collar structure. These calculations require the use of estimates and assumptions. Any changes in assumptions in relation to gold prices and volatilities could have a material impact on the fair

FINANCIAL REPORT

valuation attributable to the gold collar structure at the reporting date. When these assumptions change in the future the differences will impact the gold cash flow hedge reserve and/or income statement in the period in which the change occurs.

(viii) Share based payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using an option pricing model, using the assumptions detailed in Note 36.

Where the vesting of share based payments contain market conditions, in estimating the fair value of the equity instruments issued, the Group assesses the probability of the market conditions being met, and there for the probability of fair value vesting, by undertaking a Monte-Carlo simulation. The simulation performs sensitivity analysis on key assumptions in order to determine potential compliance with the market performance conditions. The simulation specifically performs sensitivity analysis on share price volatility based on the historical volatility for St Barbara Limited and the peer group companies. The results of the Monte-Carlo simulation are not intended to represent actual results, but are used as an estimation tool by management to assist in arriving at the judgment of probability.

Note 5 Segment Information

The Company has two reportable segments, Leonora and Southern Cross Operations, which are also the Company's operating segments. The operational business units are managed separately due to their separate geographic regions.

The Company operates predominantly in the minerals exploration and mining industry in Australia.

Information regarding the operations of each reportable segment is included below. Performance is measured based on segment profit before income tax, as this is deemed to be the most relevant in assessing performance after taking into account factors such as cost per ounce of production.

	Leonora		Southern Cross		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue	195,203	139,335	167,794	158,321	362,997	297,656
Mine operating costs	(103,873)	(74,470)	(104,148)	(110,637)	(208,021)	(185,107)
Gross profit	91,330	64,865	63,646	47,684	154,976	112,549
Royalties	(7,387)	(5,492)	(6,306)	(6,298)	(13,693)	(11,790)
Depreciation and amortisation	(37,199)	(31,279)	(20,443)	(24,515)	(57,642)	(55,794)
Reportable segment profit before income tax	46,744	28,094	36,897	16,871	83,641	44,965
Other material non-cash items	-	-	-	(37,946)	-	(37,946)
Capital expenditure	(88,249)	(53,837)	(29,577)	(31,487)	(117,826)	(85,324)
	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
Reportable segment assets	388,302	317,928	43,664	32,743	431,966	350,671

FINANCIAL REPORT

Note 5 Segment Information (continued)**Major Customer**

Major customers to whom the Group provides goods that are more than 10% of external revenue are as follows:

	Revenue		% of external revenue	
	2011 \$'000	2010 \$'000	2011 %	2010 %
Customer A	151,692	16,698	42.2	5.6
Customer B	92,009	-	25.6	-
Customer C	76,729	-	21.3	-
Customer D	39,145	280,062	10.9	94.4

Reconciliation of reportable segment revenues, profit or loss, assets, and other material items:

	Consolidated	
	2011 \$'000	2010 \$'000
Revenues		
Total revenue for reportable segments	362,997	297,656
Other revenue	5,960	5,869
Consolidated revenue	368,957	303,525

	Consolidated	
	2011 \$'000	2010 \$'000
Profit or loss		
Total profit for reportable segments	83,641	44,965
Other income and revenue	8,446	6,808
Exploration expensed	(13,284)	(5,184)
Unallocated depreciation and amortisation	(838)	(715)
Asset write-downs	-	(37,946)
Finance costs	(3,692)	(7,317)
Net fair value movements on gold options	13,471	(19,513)
Net realised/unrealised gain on available for sale assets	-	2,724
Net proceeds from sale of tenement rights	1,963	-
Corporate and support costs	(14,848)	(21,382)
Other corporate expenses	(6,230)	(2,628)
Consolidated profit/(loss) before income tax	68,629	(40,188)

FINANCIAL REPORT

Note 5 Segment Information (continued)

	Consolidated	
	30 June 2011 \$'000	30 June 2010 \$'000
Assets		
Total assets for reportable segments	431,966	350,671
Cash and cash equivalents	79,485	102,157
Trade and other receivables	24,140	15,480
Capitalised borrowing costs	7,912	8,522
Derivative financial assets	2,367	-
Other assets	2,514	2,337
Consolidated total assets	548,384	479,167

Year ended 30 June 2011

	Reportable segment totals	Impairments	Unallocated	Consolidated totals
Other material items				
Mine operating costs	(208,021)	-	-	(208,021)
Depreciation and amortisation	(57,642)	-	(838)	(58,480)

Year ended 30 June 2010

	Reportable segment totals	Impairments	Unallocated	Consolidated totals
Other material items				
Mine operating costs	(185,107)	(22,581)	-	(207,688)
Depreciation and amortisation	(55,794)	(15,365)	(715)	(71,874)

Note 6 Revenue

	Consolidated	
	2011 \$'000	2010 \$'000
<i>Sales revenue-continuing operations</i>		
Sale of gold	357,484	295,238
Sale of silver	2,091	1,522
	359,575	296,760
<i>Other revenue</i>		
Interest revenue	5,611	5,210
Sub-lease rental	349	347
Discount on convertible notes buy back	-	312
Third party revenue – ore processing	3,422	896
	9,382	6,765
Total revenue	368,957	303,525

FINANCIAL REPORT

Note 7 Other income

	Consolidated	
	2011	2010
	\$'000	\$'000
Profit on sale of assets	1,224	247
Proceeds from sale of tenement rights	1,963	-
Release of convertible note liability reserve	-	432
Other	1,262	260
	4,449	939

Note 8 Expenses

	Consolidated	
	2011	2010
	\$'000	\$'000
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	1,067	752
Plant and equipment	15,213	8,018
Impairment write-offs	-	6,501
	16,280	15,271
<i>Amortisation</i>		
Mine development costs	41,085	45,001
Deferred waste stripping	-	471
Capitalised borrowing costs	702	1,807
Plant/equipment finance leases	413	460
Impairment write-offs	-	8,864
	42,200	56,603
<i>Total depreciation & amortisation</i>	58,480	71,874
<i>Finance Costs</i>		
Interest paid/payable	30	60
Interest on convertible notes	-	4,359
Borrowing costs	99	553
Convertible notes buy back costs	-	25
Finance lease interest	962	1,172
Provisions: unwinding of discount	2,601	1,148
	3,692	7,317
<i>Employee related expenses</i>		
Contributions to defined contribution superannuation funds	2,543	2,262
Termination payments	420	312
Equity settled share-based payments (note 24(a))	973	1,175
	3,936	3,749
<i>Rental expense relating to operating leases</i>		
Lease payments	873	838

FINANCIAL REPORT

Note 9 Significant items

Significant items are those items where their nature or amount is considered material to the financial report. Such items included within the consolidated results for the period are detailed below.

	Consolidated	
	2011	2010
	\$'000	\$'000
Included within net realised/unrealised gains/(losses) on derivatives		
Net unrealised (loss)/gain on gold cash flow hedges ⁽¹⁾	12,946	(19,513)
Realised gain on gold cash flow hedges ⁽¹⁾	525	-
	13,471	(19,513)
Included within Other Income		
Profit on sale of Tarmoola processing plant ⁽²⁾	1,164	-
Proceeds from sale of tenement rights ⁽³⁾	1,963	-
	3,127	-
Included within Other Expenditure		
Native title payments ⁽⁴⁾	(2,400)	-
Impairment write downs included within mine operating costs		
Underground deferred operating mine development at Marvel Loch	-	(22,581)
	-	(22,581)
Impairment write downs included within depreciation and amortisation		
Southern Cross assets	-	(11,583)
Marvel Loch capitalised exploration	-	(3,782)
	-	(15,365)
Included within realised/unrealised gain on available for sale assets		
Gain on sale of Bendigo Mining Limited	-	2,724
	-	2,724
Total significant items	14,198	(54,735)

(1) Net realised/unrealised (loss)/gain on gold cash flow hedges

At 30 June 2011 the mark-to-market value of the Company's gold put and call options (collar structure) outstanding at 30 June 2011 of 238,000 ounces (2010: 250,000 ounces), which provide price protection for King of the Hills production, was negative \$8,101,000 (30 June 2010: negative \$38,674,000). In accordance with accounting standards the unrealised gain, representing the movement in the time value of the collar structure during the year, amounting to \$13,471,000 was recognised in the income statement (2010: loss of \$19,513,000). This amount includes the unwinding of the unrealised mark-to-market loss booked at 30 June 2010 for options that were exercised or expired during the year. The unrealised gain related to the movement in the intrinsic value of the collar structure in the period of \$17,102,000 (2010: loss of \$19,161,000) was recognised in the hedging reserve in equity. Over time, the remaining unrealised negative mark-to-market valuation will reverse either through a change to the mark-to-market value of the collar structure or maturity of the contracts.

(2) Profit on sale of Tarmoola processing plant

During September 2010 the Company sold its Tarmoola processing plant, which was on care and maintenance and surplus to the Company's requirements, for cash proceeds of \$3,000,000. The profit recognised of \$1,164,000 is after deducting the book value of assets related to the sale of \$1,836,000.

(3) Proceeds from sale of tenement rights

During October 2010 the Company sold tenements acquired for base metals prospectivity in the Leonora region and no longer considered strategic, to Jabiru Metals Limited for cash proceeds of \$2,000,000 (less \$37,000 for associated legal costs). There were no balances relating to these tenements previously capitalised on the balance sheet. The Company retains all gold rights associated with these tenements for a minimum of 5 years.

(4) Native title payments

During the year the Company identified an obligation to make payments to three Aboriginal groups in the Leonora region. The obligation arises from Agreements assigned to the Company when the Company acquired the Sons of Gwalia gold assets in 2005. The Agreements with the three Aboriginal groups relate to mining leases granted on tenements in which each group has an interest. The total payment due is \$2,400,000. The Company has no further mining lease applications in Leonora district.

FINANCIAL REPORT

Note 10 Income tax expense**(a) Income tax expense**

	Consolidated	
	2011	2010
	\$'000	\$'000
Deferred income tax (benefit)/expense	-	-

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

	Consolidated	
	2011	2010
	\$'000	\$'000
Profit/(loss) before income tax expense/(benefit)	68,629	(40,188)
Tax at the Australian tax rate of 30%	20,589	(12,056)
Tax effect of amounts not deductible/(taxable) in calculating taxable income:		
Legal and other capital expenditure	(382)	159
Equity settled share based payments	263	193
Sundry items	9	8
Tax losses not recognised	-	11,696
Utilisation of previously unrecognised tax losses	(8,273)	-
Change in previously unrecognised temporary differences	(12,206)	-
Income tax expense/(benefit)	-	-

Refer to Note 10(c) for details of the deferred tax benefit.

(c) Deferred tax balance

	Consolidated	
	2011	2010
	\$'000	\$'000
Deferred tax liabilities		
Accrued income	464	365
Mining properties – exploration	20,529	13,007
Mining properties – development	178,460	117,342
Consumables	9,711	8,956
Capitalised convertible notes costs	7,911	8,522
Total	217,075	148,192
Tax effect @ 30%	65,123	44,458
Deferred tax assets		
Tax losses	342,689	332,795
Tax losses not booked ⁽¹⁾	(174,157)	(238,754)
Provisions and accruals	41,416	38,206
Investment fair value reserve	-	53
Tax assets without a carrying amount	7,127	10,711
Property, plant and equipment	-	5,181
Total	217,075	148,192
Tax effect @ 30%	65,123	44,458
Net deferred tax asset ⁽¹⁾	-	-

(1) The tax losses not booked represent an unrecognised deferred tax asset of \$52,246,000 (2010: \$71,626,000). These losses have not been recognised because it is not yet probable that future taxable profit will be available against which the Group can utilise the benefits there from.

FINANCIAL REPORT

Note 11 Cash and cash equivalents

	Consolidated	
	2011	2010
	\$'000	\$'000
Cash at bank and on hand	4,485	50,157
Term deposits	75,000	52,000
	79,485	102,157

(a) Cash at bank and on hand

Cash at bank at 30 June 2011 invested "at call" was earning interest at an average rate of 4.90% per annum (2010: 6.00% per annum).

(b) Deposits

The deposits at 30 June 2011 were earning interest at rates of between 6.00% and 6.23% per annum (2010: rates of between 5.45% and 6.25% per annum).

Note 12 Trade and other receivables

	Consolidated	
	2011	2010
	\$'000	\$'000
Current assets		
Trade receivables	15,199	8,328
Other receivables	5,255	3,910
Restricted cash ⁽¹⁾	123	388
Prepayments	3,563	2,854
	24,140	15,480

(1) Restricted cash at 30 June 2011 is cash placed on deposit to secure 5 bank guarantees in respect of obligations entered into for environmental performance bonds issued in favour of the Western Australian Department of Industry and Resources. These deposits earned interest at an average interest rate of 4.70%.

(a) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of receivables is set out in Note 3 and Note 15.

Note 13 Inventories

	Consolidated	
	2011	2010
	\$'000	\$'000
Consumables	9,711	8,954
Ore stockpiles	723	3,043
Gold in circuit	6,407	4,570
Bullion on hand	1,017	1,488
	17,858	18,055

(a) Lower of cost and net realisable value

At 30 June 2011, all categories of inventory were valued at cost (2010: all categories at cost).

FINANCIAL REPORT

Note 14 Deferred mining costs

	Consolidated	
	2011	2010
	\$'000	\$'000
Current		
Deferred waste stripping	-	8,867
Amortisation of deferred waste	-	(8,867)
	-	-
Deferred operating development	12,934	9,114
	12,934	9,114
Non-current		
Deferred operating development	10,230	-

FINANCIAL REPORT

Note 15 Financial instruments

(a) Credit Risk Exposures

Refer Note 3 for the Group's exposure to credit risk.

(b) Interest Rate Risk Exposures

The Group'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 Group intends to hold fixed rate assets and liabilities to maturity.

2011	Fixed Interest Maturing in				
	Floating Interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	Non- interest bearing \$'000	Total \$'000
Financial assets					
Cash and cash equivalents	4,485	75,000	-	-	79,485
Restricted cash and cash equivalents	123	-	-	-	123
Receivables	-	-	-	20,454	20,454
Gold put and call options	-	-	-	2,367	2,367
	4,608	75,000	-	22,821	102,429
Weighted average interest rate	4.89%	6.12%			
Financial liabilities					
Trade and other creditors	-	-	-	49,366	49,366
Finance lease liabilities	-	954	1,581	6	2,541
Equipment financing facility	7,860	-	-	-	7,860
Gold put and call options	-	-	-	10,468	10,468
Insurance premium funding	-	1,785	-	-	1,785
	7,860	2,739	1,581	59,840	72,020
Weighted average interest rate	7.73%	5.97%	7.52%		
Net financial assets/(liabilities)	(3,252)	72,261	(1,581)	(37,019)	30,409

FINANCIAL REPORT

Note 15 Financial Instruments (continued)

2010	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	
Financial assets					
Cash and cash equivalents	50,157	52,000	-	-	102,157
Restricted cash and cash equivalents	388	-	-	-	388
Receivables	-	-	-	12,238	12,238
	50,545	52,000		12,238	114,783
Weighted average interest rate	6.00%	5.84%	-	-	-
Financial liabilities					
Trade and other creditors	-	-	-	37,558	37,558
Finance lease liabilities	-	779	1,185	30	1,994
Equipment financing facility	12,921	-	-	-	12,921
Convertible notes	-	1,200	-	-	1,200
Gold put and call options	-	-	-	38,674	38,674
	12,921	1,979	1,185	76,262	92,347
Weighted average interest rate	7.29%	8.00%	7.97%	-	-
Net financial assets/(liabilities)	37,624	50,021	(1,185)	(64,024)	22,436

FINANCIAL REPORT

Note 16 Property, plant and equipment

	Consolidated	
	2011	2010
	\$'000	\$'000
Non-current		
Land	1,093	1,093
Housing and site buildings	17,870	17,870
Plant and equipment	129,520	119,268
Accumulated depreciation/impairment	(42,733)	(26,135)
	105,750	112,096

Reconciliation of the carrying amounts for each class of property, plant and equipment is set out below:

Land		
At the beginning of the year	1,093	507
Additions	-	586
Disposals	-	-
At the end of the year	1,093	1,093
Housing and site buildings		
At the beginning of the year	16,230	11,082
Additions	-	-
Transfers from Plant and Equipment	-	5,900
Depreciation	(1,067)	(752)
At the end of the year	15,163	16,230
Plant and equipment		
At the beginning of the year	94,773	106,039
Additions	12,176	9,636
Disposals	(1,829)	(24)
Transfer to Housing and Site Buildings	-	(5,900)
Assets written off	-	(6,500)
Depreciation	(15,626)	(8,478)
At the end of the year	89,494	94,773
Total	105,750	112,096

(a) Security

As at 30 June 2011, plant and equipment with a carrying value of \$31,909,000 (2010: \$30,303,000) was pledged as security for an equipment finance facility and finance leases (Note 20).

In accordance with the security arrangements in relation to commercial banking facilities, all remaining assets of the Group have been pledged as security to the National Australia Bank Limited and Barclays Bank PLC for a performance bond and hedging facilities.

FINANCIAL REPORT

Note 17 Mine properties

	Consolidated	
	2011 \$'000	2010 \$'000
Non-current		
Mine Properties - development		
At beginning of the year	216,530	185,341
Direct expenditure	106,312	75,437
Transferred from exploration and evaluation	2,844	1,454
Mine development written off	-	(5,082)
Adjustment to rehabilitation provision	-	4,381
Amortisation for the year	(41,695)	(45,001)
At end of the year	283,991	216,530

Note 18 Exploration and evaluation

	Consolidated	
	2011 \$'000	2010 \$'000
Non-current		
Exploration and evaluation		
At beginning of the year	5,735	8,219
Acquired tenements	-	100
Tenements written off	(125)	(110)
Expenditure capitalised for the year	8,863	2,762
Transferred to mine properties	(2,844)	(1,454)
Exploration written off	-	(3,782)
At end of the year	11,629	5,735

FINANCIAL REPORT

Note 19 Trade and other payables

	Consolidated	
	2011	2010
	\$'000	\$'000
Current		
Trade payables	47,397	36,180
Other payables	1,969	1,378
	49,366	37,558

Note 20 Interest bearing borrowings

	Consolidated	
	2011	2010
	\$'000	\$'000
Current		
Secured		
Lease liabilities (Note 28)	960	779
Equipment finance facility (Note 28)	7,860	5,197
Transaction costs	(114)	(60)
	8,706	5,916
Unsecured		
Convertible notes	-	1,200
Insurance premium funding	1,785	-
	1,785	1,200
Total current	10,491	7,116
Non-current		
Secured		
Lease liabilities (Note 28)	1,581	1,215
Equipment finance facility (Note 28)	-	7,724
Transaction costs	-	(146)
Total non-current	1,581	8,793

(a) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in Note 15.

FINANCIAL REPORT

(b) Convertible notes

On 4 July 2010, the remaining convertible notes were redeemed for the face value of \$1,200,000.

(c) Equipment finance facility

During 2008 the Company signed a \$20,000,000 loan facility agreement with GE Commercial Finance to fund the construction and purchase of certain infrastructure assets at Gwalia. The facility is secured against the equipment financed and is repayable over 48 months. The interest rate is the 90 day bank bill rate plus an interest margin of 2.8%. Under the terms of the GE facility there are a number of undertakings related to the performance of the Company, and non-compliance with these undertakings could constitute an event of default. Under the terms of facility the Company has up to 90 days to remedy or rectify a non-compliance event in relation to the undertakings. Subsequent to the reporting date, the Company has advised GE Commercial Finance of its intention to repay the facility in full on 30 August 2011 (refer to Note 32).

(d) Set-off of assets and liabilities

The parent entity has established a legal right of set-off with a financial institution over cash on deposit to secure the issue of bank guarantees for the purpose of environmental performance bonds. At 30 June 2011 restricted cash for this purpose amounted to \$123,000 (2010: \$388,000).

Note 21 Derivative financial assets and liabilities

	Consolidated	
	2011	2010
	\$'000	\$'000
Current assets		
Fair value of gold option collar	2,085	-
Non-current assets		
Fair value of gold option collar	282	-
Current liabilities		
Fair value of gold option collar	-	338
Non-current liabilities		
Fair value of gold option collar	10,468	38,336

(a) Instruments used by the Group

Refer to Note 3 'Financial Risk Management' for details on instruments used by the Group.

(b) Estimation of current and non-current assets and liabilities

In estimating the fair value of the gold option collar at each reporting date, the Group performs an independent valuation of each option tranche within the collar. The valuation is performed using a generally accepted option valuation model where inputs are based on market observable data for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Each tranche is then classified as a current or non-current assets or liability accordingly.

FINANCIAL REPORT

Note 22 Provisions

	Consolidated	
	2011	2010
	\$'000	\$'000
Current		
Employee benefits – annual leave	2,244	1,715
Employee benefits – long service leave	1,056	792
Employee benefits - other	890	1,559
Provision for rehabilitation	3,643	2,847
Other provisions	149	-
	7,982	6,913
Non-current		
Provision for rehabilitation	30,888	29,627
Employee benefits - long service leave	1,261	1,018
	32,149	30,645

Movements in Provisions

	Consolidated	
	2011	2010
	\$'000	\$'000
Rehabilitation		
Balance at start of year	32,474	28,284
Unwinding of discount	2,601	1,148
Expenditure incurred	(544)	(1,339)
Adjustment on re-estimation	-	4,381
Balance at end of year	34,531	32,474

FINANCIAL REPORT

Note 23 Contributed equity**(a) Share capital**

	Parent entity		Parent entity	
	2011	2010	2011	2010
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid*	325,615,389	325,444,735	615,521	614,997

* The number of shares in the comparative period has been restated following the 1 for 6 share consolidation approved by shareholders on 18 November 2010.

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price (cents/share)	\$'000
1 July 2009			1,493,932,950		496,176
	Plus Institutional rights issue	(i)	274,094,788	27	74,006
	Transaction costs on institutional rights issue				(3,214)
	Plus Retail rights issue	(ii)	184,640,669	27	49,853
	Plus Transaction costs on retail rights issue				(1,824)
			<u>1,952,668,407</u>		<u>614,997</u>
30 June 2010					
	Plus Shares issued on exercise of options	(iii)	1,000,000	28	279
	Transfer of Option Reserve on conversion of options	(iv)			245
	Shares on issue prior to consolidation		<u>1,953,668,407</u>		-
	Shares on issue following share consolidation		<u>325,615,389</u>		-
30 Jun 2011	Closing Balance		<u>325,615,389</u>		<u>615,521</u>

- (i) Institutional rights issue completed on 13 November 2009
- (ii) Retail rights issue completed on 10 December 2009
- (iii) Shares issued on exercise of unlisted options held by executives and employees
- (iv) Transfer of the fair value in the Share Based Payment reserve relating to the options exercised at (iii)

(c) Share consolidation

On 18 November 2010 shareholders approved a share consolidation of six existing shares for one new share of the Company's issued capital. Share numbers in the comparative period have been restated following the share consolidation undertaken.

(d) 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.

FINANCIAL REPORT

(e) Options and Performance Rights

Information relating to the St Barbara Employee Option Plan and Performance Rights Plan, including details of options and rights issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 36.

Note 24 Reserves and accumulated losses**(a) Reserves**

	Consolidated	
	2011	2010
	\$'000	\$'000
Reserves		
Share based payment reserve	3,108	2,484
Investment fair value reserve	-	-
Gold cash flow hedge reserve	(2,059)	(19,161)
Convertible note liability reserve	-	-
	1,049	(16,677)
Share based payment reserve		
Balance at start of year	2,484	1,841
Option expense	973	1,175
Options exercised	(245)	-
Options cancelled on termination	(104)	(532)
Balance at end of year	3,108	2,484
Investments fair value reserve		
Balance at start of year	-	6,687
Transfer to income statement on disposal	-	(6,687)
Balance at end of year	-	-
Gold cash flow hedge reserve		
Balance at start of year	(19,161)	-
Options exercised/expired	-	-
Fair value adjustments	17,102	(19,161)
Balance at end of year	(2,059)	(19,161)
Convertible note liability reserve		
Balance at start of year	-	432
Transfer to income statement	-	(432)
Balance at end of year	-	-

(b) Accumulated losses

Movements in accumulated losses were as follows:

	Consolidated	
	2011	2010
	\$'000	\$'000
Balance at start of year	(248,852)	(208,664)
Profit/(loss) attributable to members of the Company	68,629	(40,188)
Balance at end of year	(180,223)	(248,852)

FINANCIAL REPORT

(c) Share based payments reserve

The share based payments reserve is used to recognise the fair value of options issued to executives and employees but not exercised.

(d) Gold cash flow hedge reserve

At each balance sheet date, a mark-to-market valuation of the Group's gold bought put options and sold call options (the "collar structure") is performed. Where the hedge is effective, changes in fair value relating to the intrinsic portion of the valuation are recognised in the gold cash flow hedge reserve. If the underlying options expire, the reserve relating to the expired options reverses against the derivatives liability.

Note 25 Parent Entity disclosures

As at, and throughout, the financial year ended 30 June 2011, the parent company of the Group was St Barbara Limited.

(a) Financial statements

	Notes	Company	
		2011 \$'000	2010 \$'000
Results of the parent entity			
Profit for the period		68,629	(40,188)
Other comprehensive income		17,102	(25,848)
Total comprehensive income for the period		<u>85,731</u>	<u>(66,036)</u>

Other comprehensive income is set out in the Consolidated Statement of Comprehensive Income.

	Company	
	2011 \$'000	2010 \$'000
Financial position of the parent entity at year end		
Current assets	136,504	144,808
Total assets	548,564	479,347
Current liabilities	79,240	63,326
Total liabilities	123,438	141,100
Total equity of the parent entity comprising of:		
Share capital	615,521	614,997
Share based payment reserve	3,108	2,484
Gold cash flow hedge reserve	(2,059)	(19,161)
Accumulated losses	<u>(191,444)</u>	<u>(260,073)</u>
Total equity	<u>425,126</u>	<u>338,247</u>

(b) Parent entity contingencies

Refer Note 27 for details of matters for which the parent entity has contingent liabilities.

(c) Parent entity guarantees

Refer Note 27 for details of bank guarantees issued by the parent.

FINANCIAL REPORT

(d) Parent entity capital commitments for acquisition of property, plant and equipment

	Company	
	2011	2010
	\$'000	\$'000
Contracted but not yet provided for and payable		
Within one year	-	-

Note 26 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2011	2010
	\$'000	\$'000
(a) Assurance services		
<i>Audit and audit related services</i>		
KPMG Australian firm		
Audit and review of financial reports	245	240
Audit and review of financial controls	120	-
Total remuneration for audit and audit related services	365	240
(b) Non-audit services		
KPMG Australian firm		
Due diligence on rights issue	-	95
Other services	-	4
Total remuneration for non-audit services	-	99

Note 27 Contingencies**(a) Contingent liabilities and assets**

The Company and consolidated entity have a contingent liability at 30 June 2011 in respect of the following legal claim:

Kingstream

In July 2002, Kingstream Steel Limited (now Midwest Corporation Ltd) ("Kingstream") commenced proceedings in the Supreme Court of WA against the Company and its 100% owned subsidiary, Zygot ("Zygot") (together "St Barbara"). The plaintiff was Bryan Kevin Hughes, as trustee for the Kingstream Steel Creditors' Trust ("Plaintiff").

The Plaintiff's claim against St Barbara arose from the withdrawal by Zygot of three mining lease applications in September 2001 ("MLAs"). The Plaintiff alleged that the MLAs were subject to an Option Deed dated 26 March 1997 between St Barbara and Kingstream, as amended. The Plaintiff sought damages from St Barbara relying upon causes of action based on rectification, breach of contract, breach of duty of care, estoppel and unilateral mistake. St Barbara defended the action.

On 30 June 2010, the Supreme Court held that the Plaintiff had failed to prove any of the causes of action against St Barbara and dismissed the action. St Barbara has since been paid the sum of \$1,500,000 by IMF Australia Limited on behalf of the Plaintiff in satisfaction of any claim St Barbara had for its costs in relation to the trial. This amount (net of costs) was recognised in "Other Income" in the current period.

The trial judge's decision is subject to two appeals, one by St Barbara, and one by the Plaintiff. Both appeals were heard by the Court of Appeal on 17 and 18 August 2011. The judgement from this hearing is pending.

FINANCIAL REPORT

(b) Bank guarantees

The Group has negotiated bank guarantees in favour of various government authorities and service providers. The total of these guarantees at 30 June 2011 was \$20,716,000 (2010: \$21,131,000). Security is provided to the National Australia Bank Limited ("NAB") (refer to Note 16) for \$20,593,000 of this amount through a fixed and floating charge over the Group's assets. Cash held on deposit with the Commonwealth Bank of Australia secures the remaining \$123,000 as at 30 June 2011 (refer to Note 12).

Under the terms of the NAB facility, there are a number of undertakings related to the performance of the Company. Non compliance with these undertakings could constitute an event of default. In the year, and as at 30 June 2011, there were no events of default under the facility.

(c) Gold bought put and sold call options

The Company negotiated a 250,000 ounce zero cost collar hedge facility with National Australia Bank Limited (NAB) and Barclays Bank PLC ("Barclays"). During the year this facility was fully drawn down through the purchase of put options over 250,000 ounces at a strike price of A\$1,425 per ounce, and sale of call options over 250,000 ounces at a strike price of A\$1,615 per ounce.

Security is provided to NAB and Barclays through a fixed and floating charge over the assets of the Group, excluding assets securing an equipment finance facility and finance leases.

During financial year 2011, 12,000 ounces of put options were exercised (2010: nil) and the equivalent ounces of call options expired.

Under the terms of the hedge facility there are a number of undertakings related to the performance of the Company. Non compliance with these undertakings could constitute an event of default. In the year, and as at 30 June 2011, there were no events of default under the facility.

Note 28 Commitments for expenditure**Consolidated**

2011	2010
\$'000	\$'000

Exploration

In order to maintain rights of tenure to mining tenements, the Group is committed to tenement rentals and minimum exploration expenditure in terms of the requirements of the Western Australian Department of Industry and Resources. This requirement will continue for future years with the amount dependent upon tenement holdings.

9,580	10,727
-------	--------

FINANCIAL REPORT

Note 28 Commitments for expenditure (continued)

	Consolidated	
	2011	2010
	\$'000	\$'000
Finance Lease Commitments		
Payable not later than one year	1,124	903
Payable later than one year, not later than five years	1,722	1,281
	<u>2,846</u>	<u>2,184</u>
Future finance charges	(311)	(220)
Recognised as a liability	<u>2,535</u>	<u>1,964</u>
Lease incentives on non-cancellable operating leases included in lease liabilities	6	30
Total lease liabilities	<u>2,541</u>	<u>1,994</u>
Current (Note 20)	960	779
Non-current (Note 20)	1,581	1,215
	<u>2,541</u>	<u>1,994</u>

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

	Consolidated	
	2011	2010
	\$'000	\$'000
Equipment Finance Facility		
Payable not later than one year ⁽¹⁾	8,023	5,934
Payable later than one year, not later than five years	-	8,090
	<u>8,023</u>	<u>14,024</u>
Future finance charges	(163)	(1,103)
Total lease liabilities	<u>7,860</u>	<u>12,921</u>
Current (Note 20)	7,860	5,197
Non-current (Note 20)	-	7,724
	<u>7,860</u>	<u>12,921</u>

(1) The outstanding balance on this facility at 30 June 2011 was classified as payable in one year and therefore as current due to the decision subsequent to the reporting date to repay the facility in full.

	Consolidated	
	2011	2010
	\$'000	\$'000
Analysis of Non-Cancellable Operating Lease Commitments		
Payable not later than one year	265	755
Payable later than one year, not later than five years	1,181	61
Payable later than five years	744	-
	<u>2,190</u>	<u>816</u>

FINANCIAL REPORT

Note 28 Commitments for expenditure (continued)

	Consolidated	
	2011 \$'000	2010 \$'000
Analysis of Non-Cancellable Operating Sub-lease receipts		
Receivable not later than one year	-	292
	-	292

Note 29 Related party transactions**a) Directors and key management personnel**

Disclosures relating to Directors and key management personnel are set out in Note 37.

(b) Transactions with entities in the wholly-owned group

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

During the year the Company did not transact with any entities in the wholly-owned group (2010: \$ Nil). Net receivables from subsidiaries amounted to \$2,000 (2010: \$2,000). The Company provided accounting and administrative assistance free of charge to all of its wholly-owned subsidiaries.

Loans payable to and advanced from wholly-owned subsidiaries to the Company are interest free, and payable on demand.

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

	Company	
	2011 \$'000	2010 \$'000
Aggregate amounts receivable at balance date from:		
Entities in the wholly-owned group	852	852
Less provision for doubtful receivables	(850)	(850)
	2	2
Aggregate amounts payable at balance date to:		
Entities in the wholly-owned group	11,401	11,401

(d) Guarantees

Subsidiary companies have guaranteed the parent entity's obligations under the bank guarantee facilities provided by the National Australia Bank Limited and Commonwealth Bank of Australia.

(e) Terms and conditions

Outstanding balances are unsecured, interest free and are repayable in cash on demand.

(f) Amounts receivable from Director related entities

At 30 June 2011, there were no amounts receivable from Director related entities (2010: \$ Nil).

(g) Other Transactions with Directors of the Company and their Director related entities

During the year ended 30 June 2011, there were no other transactions with Directors of the Company and their Director related entities.

FINANCIAL REPORT

Note 30 Controlled entities

The Group consists of the Company and its wholly-owned controlled entities as follows.

Name of entity	Class of Shares	Equity holding		Carrying value of Company's investment	
		June 2011 %	June 2010 %	June 2011 \$'000	June 2010 \$'000
Australian Eagle Oil Co Pty Ltd	Ordinary	100	100	178	178
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 Pty Ltd	Ordinary	100	100	-	-
				178	178

Each company in the Group was incorporated in Australia.

Note 31 Interests in joint ventures**(a) Jointly controlled assets**

Joint Venture	June 2011 Equity %	June 2010 Equity %	Joint Venturers
WESTERN AUSTRALIA			
<u>Leonora Region</u>			
Mount Newman - Victory	87%	87%	Astro Diamond Mines N.L.
Sandy Soak	91%	91%	Hunter Resources Pty Ltd
Melita	80%	80%	Dalrymple Resources N.L.
Weebo ⁽¹⁾	0%	12.8%	Plutonic Operations Limited
McEast/Pipeline	20%	20%	Cheperon Gold Partnership
Black Cat	40%	40%	Terrain Minerals Ltd
Silver Phantom	70%	70%	Bellriver Pty Ltd
South Rankin	75%	75%	Comet Resources Limited
Cheritons Find ⁽²⁾	0%	90%	Audax Resources NL
<u>Kalgoorlie Region</u>			
Rocky Dam ⁽³⁾	0%	earning 51%	Rubicon Resources Ltd

(1) The Weebo Joint Venture was terminated on the surrender of the remaining tenements by Plutonic Operations Limited in March 2011.

(2) The Company withdrew from the Cheritons Find joint venture in November 2010.

(3) The Company withdrew from the Rocky Dam Joint Venture during May 2011.

As at 30 June 2011 there was no joint venture assets recorded in the balance sheet (2010: Nil).

FINANCIAL REPORT

Note 32 Events occurring after the balance sheet date

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected or may significantly affect in future years the Company's operations, the results of those operations or the state of affairs, except for the following:

- In July 2011, the Group advised GE Commercial Finance of its intention to repay the equipment lease facility in full on 30 August 2011. At 30 June 2011, the outstanding balance was \$7,860,000.
- On 4 August 2011, the Group entered into a zero cost collar hedging facility for 100,000 ounces of gold from September 2011 to September 2012 to manage Australian dollar gold price risk associated with the estimated production from the remaining life of the Southern Cross mine. The facility was fully drawn down by purchasing put options and selling call options over 100,000 ounces of gold with the following strikes: bought put options at A\$1,550/oz, and sold call options at A\$1,610/oz.

Note 33 Reconciliation of profit/(loss) after income tax to net cash flows from operating activities

	Consolidated	
	2011	2010
	\$'000	\$'000
Profit/(loss) after tax for the year	68,629	(40,188)
Depreciation and amortisation	58,480	56,509
Asset impairment write offs	-	37,946
Profit on sale of assets	(1,180)	(252)
Gain on sale of tenement rights	(1,963)	-
(Gain)/loss on sale of available for sale assets	-	(2,724)
Net realised/unrealised (gain)/loss on gold derivative fair value movements	(13,471)	19,513
Discount on convertible notes buyback	-	(312)
Convertible notes buy-back transaction costs	-	25
Convertible note reserve released to income statement	-	(432)
Tenement write-off	125	110
Equity settled share-based payments	869	643
Change in operating assets and liabilities:		
(Increase)/decrease in receivables and prepayments	(8,925)	(4,495)
(Increase)/decrease in inventories	197	13,003
Increase/(decrease) in trade creditors and payables	11,217	(192)
Increase/(decrease) in non-current provisions	1,504	1,415
Increase/(decrease) in other liabilities	1,640	(3,948)
Net cash flows from operating activities	117,122	76,621

Note 34 Non-cash investing and financing activities

	Consolidated	
	2011	2010
	\$'000	\$'000
Acquisition of vehicles and equipment through finance leases	1,552	559

FINANCIAL REPORT

Note 35 Earnings per share

	Consolidated	
	2011	2010
	Cents	Cents
(a) Basic earnings/(loss) per share		
Profit/(loss) attributable to the ordinary equity holders of the Company*	21.05	(13.64)
(b) Diluted earnings/(loss) per share		
Profit/(loss) attributable to the ordinary equity holders of the Company*	20.94	(13.64)

* Earnings per share calculations in the comparative period have been restated following the 1 for 6 share consolidation approved by shareholders on 18 November 2010.

(c) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2011	2010
	\$'000	\$'000
Basic and diluted earnings per share:		
Profit/(loss) after tax for the year	68,629	(40,188)

(d) Weighted average number of shares

	Consolidated	
	2011	2010
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share*	326,031,238	294,680,661
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share*	327,753,818	294,680,661

* The number of shares in the comparative period has been restated following the 1 for 6 share consolidation approved by shareholders on 18 November 2010.

(e) Information concerning the classification of securities*(i) Options*

Executive Options and Options granted to employees under the St Barbara Limited Employee Option Plans are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 36.

(ii) Performance rights

Performance rights granted to employees under the St Barbara Performance Rights Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The rights have not been included in the determination of basic earnings per share. Details relating to the rights are set out in Note 36.

FINANCIAL REPORT

Note 36 Share-based payments

(a) Employee Option Plan

The establishment of the St Barbara Limited Employee Option Plan was approved by shareholders at the 2001 Annual General Meeting. Options are granted as part of an employee's total remuneration package. Options are granted for a three to five year period.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

Set out below are summaries of options granted to employees under the St Barbara Limited Employee Option Plan approved by shareholders:

Consolidated and parent entity – 2011								
Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number ⁽³⁾	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
30 Sep 05	30 Sep 10	\$1.674	166,667	-	166,667	-	-	-
01 Jul 06	30 Jun 11	\$2.832	83,334	-	-	83,334 ⁽¹⁾	-	-
11 Sep 06	11 Sep 11	\$2.863	333,334	-	-	-	333,334	333,334
01 Dec 06	01 Dec 11	\$3.181	83,334	-	-	-	83,334	83,334
06 May 09 ⁽²⁾	02 Mar 14	\$2.286	251,350	-	-	-	251,350	-
06 May 09 ⁽²⁾	03 Apr 14	\$2.466	603,580	-	-	86,226 ⁽¹⁾	517,354	-
23 Sep 09 ⁽²⁾	23-Sep-14	\$1.722	2,407,960	-	-	123,223 ⁽¹⁾	2,284,737	-
Total			3,929,559	-	166,667	292,783	3,470,109	416,668
Weighted average exercise price			\$2.02		\$1.67	\$2.26	\$2.02	\$2.93

(1) Expired on termination of employment with the Company.

(2) Vesting of options granted in May 2009 and September 2009 is subject to performance criteria as discussed below.

(3) The number of options in the comparative period has been restated following the 1 for 6 share consolidation approved by shareholders on 18 November 2010.

Consolidated and parent entity – 2010								
Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number ⁽³⁾	Granted during the year Number ⁽³⁾	Exercised during the year Number ⁽³⁾	Expired during the year Number ⁽³⁾	Balance at end of the year Number ⁽³⁾	Exercisable at end of the year Number ⁽³⁾
30 Sep 05	30 Sep 10	\$1.674	166,667	-	-	-	166,667	166,667
01 Jul 06	30 Jun 11	\$2.832	208,334	-	-	125,000 ⁽¹⁾	83,334	83,334
11 Sep 06	11 Sep 11	\$2.863	333,334	-	-	-	333,334	333,334
01 Dec 06	01 Dec 11	\$3.181	83,334	-	-	-	83,334	83,334
06 May 09 ⁽²⁾	02 Mar 14	\$2.286	251,350	-	-	-	251,350	-
06 May 09 ⁽²⁾	03 Apr 14	\$2.466	893,612	-	-	290,032 ⁽¹⁾	603,580	-
23 Sep 09 ⁽²⁾	23-Sep-14	\$1.722	-	2,547,986	-	140,026 ⁽¹⁾	2,407,960	-
Total			1,936,631	2,547,986	-	555,058	3,929,559	666,669
Weighted average exercise price			\$2.64	\$1.74	\$0.00	\$2.40	\$2.10	\$2.70

(1) Expired on termination of employment with the Company.

(2) Vesting of options granted in May 2009 and September 2009 is subject to performance criteria as discussed below.

(3) The number of options in the comparative period has been restated following the 1 for 6 share consolidation approved by shareholders on 18 November 2010.

The weighted average remaining contractual life of share options outstanding at the end of the year was 2.8 years (2010: 3.6 years).

FINANCIAL REPORT

Following the 1 for 6 share consolidation completed in November 2010, the unlisted options were adjusted pursuant to the formula contained in ASX Listing Rule 6.22.2. The adjustments were as follows:

Grant Date	Pre-consolidation		Post-consolidation	
	No. of options	Exercise Price	No. of options	Exercise Price
11 September 2006	2,000,000	\$0.477	333,334	\$2.863
1 December 2006	500,000	\$0.530	83,334	\$3.181
6 May 2009	1,508,099	\$0.381	251,350	\$2.286
6 May 2009	3,621,480	\$0.411	517,354	\$2.466
23 September 2009	14,447,758	\$0.287	2,407,960	\$1.722

Fair value of options granted

There were no options granted during the year ending 30 June 2011.

Options are granted for no consideration. The vesting of options granted in 2010 is subject to a continuing service condition as at each vesting date, and relative Total Shareholder Returns over a three year period. The peer group against which Total Shareholder Return is measured is presented below. The percentage of options that vest relative to Total Shareholder Returns is set out in the table below.

Relative TSR Performance Over Measurement Period	% of Right to Vest
< 50 th percentile	0%
50 th percentile	50%
>50 th & < 75 th percentiles	Pro-rata between 50% & 100%
75 th percentile and above	100%

The peer group against which Total Shareholder Return is measured comprises:

Company	
Intrepid Mines Limited ⁽¹⁾	Resolute Mining Limited ⁽¹⁾
Ramelius Resources Limited ⁽¹⁾	Silver Lake Resources Limited ⁽¹⁾
Saracen Mineral Holdings Limited	Catalpa Resources Limited
Kingsgate Consolidated Limited	Unity Mining Limited ⁽¹⁾
Regis Resources Limited ⁽¹⁾	OceanaGold Corporation

(1): During 2010, Intrepid Mines Ltd, Ramelius Resources Ltd, Regis Resources Ltd, Resolute Mining Ltd, Silver Lake Resources Ltd and Unity Mining Ltd replaced Newcrest Mining Ltd, Lihir Gold Ltd, Avoca Resources Ltd, Independence Group NL, Dominion Mining Ltd, and Apex Minerals NL as these companies either ceased to be listed on the Australian Stock Exchange or the scale of their respective activities became vastly different to that of the Company.

The Board reserves the right to make changes to the peer group to allow for changing circumstances (e.g. takeover) for peer group companies.

All options expire on the earlier of their expiry date, thirty days after resignation of the relevant executive or twelve months after retirement or retrenchment.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a Black Scholes option

FINANCIAL REPORT

pricing model that takes into account the exercise price (ordinarily linked to the average closing market price for the 5 business days immediately preceding the grant date), the term of the option, the performance hurdle (relative Total Shareholder Return) the share price at grant date and expected price volatility of the underlying share, no expected dividend yield and the risk free interest rate for the term of the option.

At each balance date, an assessment is performed with regard to the probability of options vesting with respect to service conditions, and is subject to management judgement. Refer to Note 4 for further details.

(b) Employee Performance Rights

Set out below are summaries of performance rights granted to employees under the St Barbara Limited Performance Rights Plan approved by shareholders:

Consolidated and parent entity – 2011									
Grant Date	Expiry Date	Price on issue date	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number	
23 Dec 10	30 Jun 13	\$2.26	-	2,412,992	-	138,740 ⁽¹⁾	2,274,252	-	-
21 Jan 11	30 Jun 13	\$1.81	-	114,611	-	-	114,611	-	-
Total			-	2,527,603	-	138,740	2,388,863	-	-
Weighted average exercise price			-	-	-	-	-	-	-

(1) Expired on termination of employment with the Company

The weighted average remaining contractual life of performance rights outstanding at the end of the year was 2.0 years (2010: nil).

The model inputs for rights granted during the year ended 30 June 2011 included:

- (a) Rights are granted for no consideration. The vesting of rights granted in 2011 is subject to a continuing service condition as at each vesting date, and relative Total Shareholder Returns over a three year period. The peer group against which Total Shareholder Return is measured is presented in the Directors' Report (page 21). The percentage of options that vest relative to Total Shareholder Returns is set out in the table below.

Relative TSR Performance Over Measurement Period	% of Option to Vest
< 50 th percentile	0%
50 th percentile	30%
>50 th & < 75 th percentiles	Pro-rata between 30% & 100%
75 th percentile and above	100%

- (b) Performance rights do not have an exercise price
- (c) Any performance right which does not vest will lapse
- (d) Grant date varies with each issue.
- (e) Price volatility of the Company's shares as at the grant date was consistent at 80%.
- (f) Risk-free interest rate at grant date is based on bond rates for a similar term as for the rights.

FINANCIAL REPORT

The fair value of rights issued was adjusted according to estimates of the likelihood that the market conditions would be met. A Monte-Carlo simulation was performed using data at grant date to assist management in estimating the probability of the rights vesting. Refer Note 4 for further details.

As a result of the Monte-Carlo simulation results, the assessed fair value of rights issued during the year was \$Nil. This outcome was based on the likelihood of the market condition being met as at the date the rights vest.

(b) Expenses arising from share based payment transactions

Total expenses/(gains) arising from equity settled share based payment transactions recognised during the year as part of the employee benefit expenses were as follows:

	Consolidated	
	2011	2010
	\$'000	\$'000
Options issued/expired under employee option plan	624	643

Note 37 Key Management Personnel Disclosures**(a) Directors**

The following persons were Directors of St Barbara Limited during the financial year:

- S J C Wise Chairman
- T J Lehany Managing Director & CEO
- D W Bailey Non-executive director
- E A Donaghey Non-executive director Appointed 4 April 2011
- B J Gibson Non-executive director Retired 18 November 2010
- P C Lockyer Non-executive director
- R K Rae Non-executive director

(b) Key management personnel disclosures

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

- Tim J Lehany Managing Director & CEO
- David Rose Chief Operating Officer
- Garth Campbell-Cowan Chief Financial Officer
- Ross Kennedy Executive General Manager Corporate Services/Company Secretary
- Phil Uttley Executive General Manager Discovery & Growth

FINANCIAL REPORT

(c) Key Management Personnel Compensation

	Consolidated	
	2011	2010
	\$'000	\$'000
Short term employee benefits	2,713,826	3,652,844
Post employment benefits	75,995	75,693
Long Service Leave	65,086	71,369
Share-based payments	488,259	975,420
Termination payments	-	133,639
	<u>3,343,166</u>	<u>4,908,965</u>

(d) Equity Instrument Disclosures Relating to Key Management Personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, are disclosed in Section 5 of the remuneration report on pages 15 to 22.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of St Barbara Limited and key management personnel of the Group, including their related parties, are set out below:

2011						
Name	*Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<i>Executive Director</i>						
T J Lehany	1,227,570	-	-	-	1,227,570	-
<i>Key management personnel</i>						
David Rose	329,474	-	-	-	329,474	-
G Campbell-Cowan	825,196	-	-	-	825,196	333,334
R Kennedy	413,032	-	-	-	413,032	-
P Uttley	256,258	-	-	-	256,258	-

* The number of shares in the comparative period has been restated following the 1 for 6 share consolidation approved by shareholders on 18 November 2010

2010						
Name	*Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<i>Executive Director</i>						
T J Lehany	251,350	976,220	-	-	1,227,570	-
<i>Key management personnel</i>						
David Rose	-	329,474	-	-	329,474	-
G Campbell-Cowan	534,526	290,670	-	-	825,196	333,334
R Kennedy	156,774	256,258	-	-	413,032	-
P Uttley	-	256,258	-	-	256,258	-

FINANCIAL REPORT

(iii) Performance rights

The numbers of rights over ordinary shares in the Company held during the financial year by each Director of St Barbara Limited and key management personnel of the Group, including their related parties, are set out below:

2011 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<i>Executive Director</i>						
T J Lehany	-	757,819	-	-	757,819	-
<i>Key management personnel</i>						
David Rose	-	252,011	-	-	252,011	-
G Campbell-Cowan	-	225,737	-	-	225,737	-
R Kennedy	-	195,174	-	-	195,174	-
P Uttley	-	195,174	-	-	195,174	-

(iv) Share holdings

The numbers of shares in the Company held during the year by each Director of St Barbara Limited and key management personnel of the Group, including their related parties, are set out below. There were no shares granted during the year as compensation.

2011 Name	*Balance at the start of the year	Exercise of options	Other changes	Purchased	Sold	Balance at the end of the year
<i>Directors</i>						
S J C Wise	1,139,389	-	-	-	-	1,139,389
T J Lehany	167,822	-	-	-	-	167,822
D W Bailey	30,247	-	-	-	-	30,247
E A Donaghey	-	-	-	-	-	-
P C Lockyer	10,631	-	-	10,000	-	20,631
R K Rae	42,310	-	-	6,666	-	48,976
<i>Key management personnel</i>						
D Rose	23,334	-	-	-	-	23,334
G Campbell-Cowan	-	-	-	-	-	-
R Kennedy	70,885	-	-	11,000	(16,667)	65,218
P Uttley	-	-	-	-	-	-

* The number of shares in the comparative period has been restated following the 1 for 6 share consolidation approved by shareholders on 18 November 2010.

FINANCIAL REPORT

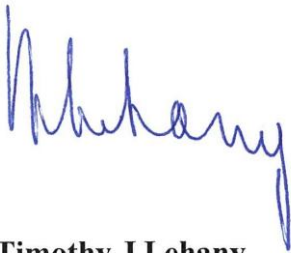
2010 Name	Balance at the start of the year	Exercise of options	Other changes	Purchased	Sold	Balance at the end of the year
<i>Directors</i>						
S J C Wise	1,077,288	-	-	331,473	(269,372)	1,139,389
T J Lehany	95,000	-	-	72,822	-	167,822
D W Bailey	23,130	-	-	7,117	-	30,247
B J Gibson	32,664	-	-	10,051	-	42,715
P C Lockyer	8,130	-	-	2,501	-	10,631
R K Rae	21,429	-	-	20,881	-	42,310
<i>Key management personnel</i>						
D Rose	-	-	-	23,334	-	23,334
G Campbell-Cowan	-	-	-	-	-	-
R Kennedy	119,355	-	-	56,697	(105,167)	70,885
P Uttley	-	-	-	-	-	-

FINANCIAL REPORT

DIRECTORS' DECLARATION

- 1 In the opinion of the directors of St Barbara Limited (the Company):
 - (a) the financial statements and notes that are contained in pages 27 to 84 and the Remuneration report in the Directors' report, set out on pages 12 to 23, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2011 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2011.
- 3 The directors draw attention to Note 1(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



Timothy J Lehany

Managing Director and CEO

Melbourne
24 August 2011

FINANCIAL REPORT

**Independent auditor's report to the members of St Barbara Limited****Report on the financial report**

We have audited the accompanying financial report of St Barbara Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 37 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company and the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

FINANCIAL REPORT

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of St Barbara Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 12 to 23 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of St Barbara Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Michael Bray
Partner

Melbourne

24 August 2011

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.