



FY13 Financial Report

St Barbara reported a net loss after tax of \$192 million for the year ended 30 June 2013. The result includes a \$309 million before tax (\$221 million after tax) non-cash impairment of the Pacific Operations, due primarily to the sharp decline in the gold price and the corresponding impact on future gold price assumptions used for the purposes of year end asset carrying value assessments.

Underlying net profit after tax before significant items was \$29 million (2012: \$121 million), with EBITDA before significant items of \$141 million (2012: \$182 million).¹

The reportable segment profit before tax of \$116 million (2012: \$154 million) for continuing Australian operations was impacted by lower gold prices. The reportable segment loss before tax and impairment of the Pacific Operations acquired during the year was \$30 million.

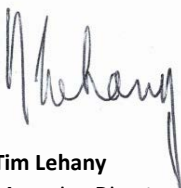
Net cash flow from operating activities was \$71 million (2012: \$225 million). Cash available at balance date was \$117 million, plus \$12 million restricted cash on deposit. Total interest bearing debt was \$328 million, comprising mainly the US senior secured notes and gold loan.

During the financial year St Barbara:

- > Acquired Allied Gold Mining plc in September 2012, and commenced optimising the new operations at Simberi and Gold Ridge;
- > Increased gold production by 8% to 364,601 ounces;
- > Issued five year US\$250 million senior secured notes and retired the syndicated debt facility;
- > Profitably divested the Southern Cross Operations;
- > Achieved a Total Recordable Injury Frequency Rate of 6.0 at 30 June 2013, the lowest annual result since TRIFR adopted.

The non-cash impairment included in significant items comprises a before tax impairment of \$109 million for Gold Ridge and \$200 million for Simberi. The impairment was predominantly driven by the sharp decline in short to medium term gold price assumptions since the acquisition of the Pacific Operations, and to a lesser extent by these operations taking longer and costing more to reach profitable production. Other significant items represented a net loss after tax of \$0.2 million, including the disposal of Southern Cross, an unrealised gain on gold options, and items relating to the Allied Gold acquisition.

Details of the results for the financial year ended 30 June 2013 are set out in the attached Appendix 4E and Financial Report.



Tim Lehany
Managing Director and CEO

¹ These are non IFRS measures which are detailed in the attached FY13 Financial Report.



ST BARBARA LIMITED

ABN 36 009 165 066

APPENDIX 4E

FOR YEAR ENDED 30 JUNE 2013

Preliminary Final Report
Financial year ended 30 June 2013

This information should be read in conjunction with the St Barbara Limited 2013 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 (continuing operations)	up	32%	to	519,043
Profit after tax from ordinary activities (before significant items) attributable to members <i>(Prior year underlying profit: \$120,920,000)</i>	down	76%	to	29,285
Net profit attributable to members of the parent entity <i>(Prior year profit: \$130,230,000)</i>		n/m		(191,854)

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 2013 A\$'000	Year ended 30 June 2012 A\$'000
Net (loss)/profit after tax as reported – Statutory Profit	(191,854)	130,230
<u>Significant Items</u>		
Net fair value (gains)/losses on gold options	(15,703)	5,400
Expenses associated with acquisitions	7,862	5,664
Allied Gold PLC integration costs	7,268	-
Redundancy costs	2,131	-
Capitalised borrowing costs	5,678	-
Asset impairment and write downs	309,170	10,219
Operating loss from discontinued operations	11,250	(9,862)
Profit on sale of Southern Cross	(22,109)	-
Income tax benefit	(84,408)	(20,731)
Underlying net profit after tax	29,285	120,920

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.

The Group reported a statutory net loss after tax of \$191,854,000 (2012: statutory profit after tax of \$130,230,000) for the year ended 30 June 2013, including Significant Items totaling a net loss after tax of \$221,139,000 (2012: net gain of \$9,310,000) which included an asset impairment and write down charge. Underlying net profit after tax before significant items was \$29,285,000 (2012: net profit of \$120,920,000). The full year review of St Barbara's asset carrying values as a result of the continuing lower gold price environment and other factors gave rise to the impairment of the carrying value of the Simberi and Gold Ridge gold mines and write down of assets associated with these operations. Cash on hand (excluding restricted cash) at 30 June 2013 was \$117,383,000 (2012: \$185,242,000). Total interest bearing borrowings were \$328,092,000 (2012: \$4,256,000).

The consolidated result for the year is summarised as follows:

	30 June 13 \$'000 ⁷	30 June 12 \$'000
Sales revenue (including discontinued operations) ⁷	568,443	541,189
EBITDA ³ (including significant items)	(150,628)	204,034
EBIT ² (including significant items)	(251,630)	106,811
Profit before tax ⁴	(270,711)	109,499
Statutory (Loss)/Profit¹ after tax for the year	(191,854)	130,230
Sales revenue (excluding discontinued operations)	511,840	384,396
Total net significant items	(221,139)	9,310
EBITDA ³ – excluding significant items	141,051	181,631
EBIT ² – excluding significant items	48,239	118,232
Profit before tax – excluding significant items ⁴	34,836	120,920
Underlying net profit after tax⁵ for the year	29,285	120,920

1 Statutory Profit is net profit after tax attributable to owners of the parent.

2 EBIT is earnings before interest revenue, finance costs and income tax expense. It includes revenues and expenses associated with discontinued operations.

3 EBITDA is EBIT before depreciation and amortisation. It includes revenues and expenses associated with discontinued operations.

4 Profit before tax is earnings before income tax expense. It includes revenues and expenses associated with discontinued operations.

5 Underlying net profit after income tax is net profit after income tax ("Statutory Profit") less significant items as described in Note 9 to the financial report, and excluding profit or loss from discontinued operations.

6 EBIT, EBITDA and underlying net profit after tax are non-IFRS financial measures, which have not been subject to review or audit by the Group's external auditors. These measures are presented to enable understanding of the underlying performance of the Group by users.

7 Revenue, EBIT (including significant items), EBITDA (including significant items) and Statutory (Loss)/Profit provided in this table contain information for continuing and discontinued operations. Sales revenue includes \$56,603,000 of revenue from Southern Cross (2012: \$156,793,000) and Statutory Profit for the year includes an after tax loss of \$7,875,000 (2012: loss of \$357,000) for Southern Cross.

Details of significant items included in the Statutory (Loss)/Profit for the year are displayed in the table below. Descriptions of each item are provided in Note 9 to the financial report.

	30 June 13 \$'000	30 June 12 \$'000
Unrealised gain/(loss) on gold options	14,205	(6,102)
Realised gain on gold options	1,498	702
Asset impairments and write downs	(309,170)	(10,219)
Borrowing costs written off	(5,678)	-
Redundancy costs	(2,131)	-
Allied Gold related acquisition costs	(7,862)	(5,664)
Integration costs	(7,268)	-
Profit on sale of Southern Cross	22,109	-
Operating (loss)/profit from discontinued operations	(11,250)	9,862
Significant items before tax	(305,547)	(11,421)
Significant items after tax	(221,139)	9,310

Asset impairments and write downs

The full year review of the Group's asset carrying values in the context of the lower gold price environment has resulted in the impairment and write down of the carrying value of assets totalling a loss of \$220,913,000 after tax.

	Simberi \$'000	Gold Ridge \$'000	Total \$'000
Write down of assets			
Inventories	28,546	10,975	39,521
Impairments			
Property, plant and equipment	92,069	54,649	146,718
Mining properties	690	240	930
Deferred mining costs	-	849	849
Mineral rights	75,808	41,339	117,147
Goodwill	2,535	1,470	4,005
Total asset impairments and write downs	199,648	109,522	309,170
Tax effect			(88,257)
Total asset impairments and write downs after tax			220,913

Acquisition of Allied Gold Mining Plc

The Group became the sole shareholder of Allied Gold Mining Plc ("Allied Gold") on 7 September 2012 and acquired the entire issued and to be issued ordinary share capital of Allied Gold for \$1.025 in cash, and 0.8 St Barbara shares for each Allied Gold share. AASB 3 "Business Combinations" requires the application of acquisition accounting, which involves recognising and measuring the identifiable assets acquired, liabilities assumed and the determination of mining rights assets and goodwill. In accordance with AASB 3, at 30 June 2013, the initial accounting for the acquisition of Allied Gold has been provisionally determined.

Included in the statutory profit for the year is a net loss before tax of \$30,233,000 before the asset impairment and write down charge, attributable to the Allied operations ("Pacific Operations") from the effective date of acquisition to 30 June 2013. As part of the transaction an integration program was established to bring the two organisations under the single operating model. This has entailed a number of key activities relating to synergies, organisational design, policies and procedures, telecommunications and IT systems, planning processes and legal and financial structures. The implementation plan for the program was completed during the financial year and execution of the plan is well advanced.

Costs associated with the acquisition of Allied Gold amounted to \$7,862,000 and the costs incurred in relation to the integration program were \$7,268,000. In addition, redundancy costs associated with integration of the two companies were \$2,131,000 in the year.

The Pacific Operations did not achieve the level of operational performance planned for the 2013 financial year. The rate of progress towards achieving the expected production performance in the Pacific Operations is slower than expected and has required more attention than previously planned. Two key issues impacting production have been the delay in commissioning the Simberi Oxide expansion, and materially lower metallurgical recovery at Gold Ridge. The resolution of these two issues is the immediate focus for the Pacific Operations.

Overview of Operating Results

The statutory loss of \$191,854,000 for the year ended 30 June 2013 (2012: statutory profit of \$130,230,000) was impacted by the lower operating profit from Leonora as a result of lower achieved gold prices during the year, the sale of Southern Cross, the acquisition of Allied Gold PLC, which resulted in (1) negative contributions from the Simberi and Gold Ridge operations, and (2) increased corporate costs associated with the acquisition and integration activities, and the asset impairment and write downs of the Pacific assets.

For the year ended 30 June 2013, the Group reported an underlying profit before tax of \$34,836,000 (2012: \$120,920,000). The underlying profit removes the impact of significant items, including the asset impairment and write down charge and result of the Southern Cross operations disclosed as "discontinued operations" for accounting purposes. Underlying profit after tax was \$29,285,000 (2012: \$120,920,000).

Group revenue (excluding Southern Cross) increased from \$384,396,000 in 2012 to \$511,840,000 in 2013. The acquisition of the Pacific Operations resulted in a total increase of \$139,684,000 from total gold sales of 88,262oz at a realised gold price of A\$1,564/oz. Revenue from Australian Operations (consisting of the Gwalia and King of the Hills underground mines) was adversely impacted by lower average spot gold prices in 2013 compared with 2012.

Revenue from Southern Cross in 2013 was \$56,603,000 (2012: \$156,793,000).

The table below provides a summary of the contribution before tax from continued operations in Australia and the Pacific before the asset impairment and write down charge of \$309,170,000.

Year ended 30 June 2013 \$'000	Australian Operations ⁽²⁾	Pacific Operations ⁽³⁾	Consolidated
Revenue	372,156	139,684	511,840
Mine operating costs	(177,874)	(140,183)	(318,057)
Gross Profit	194,282	(499)	193,783
Royalties	(14,715)	(3,846)	(18,561)
Depreciation and Amortisation	(64,105)	(25,888)	(89,993)
Contribution from operations⁽¹⁾	115,462	(30,233)	85,229

⁽¹⁾ Excludes corporate and exploration costs, interest and tax, and discontinued operations. This is non-IFRS financial information, which has not been subject to review or audit by the Group's external auditors. This measure is presented to enable understanding of the underlying performance of the operations.

⁽²⁾ Comprising the Gwalia and King of the Hills operations. Southern Cross is classified as a discontinued operation.

⁽³⁾ Comprising the Simberi and Gold Ridge operations.

The contribution from Southern Cross in 2013 was a net loss of \$11,250,000 (2012: net loss of \$357,000). The net loss from Southern Cross in 2013 comprised a net profit (before depreciation and amortisation) from operations of \$5,185,000, care and maintenance costs of \$8,245,000 and depreciation and amortisation of \$8,190,000 (2012: \$33,824,000). Southern Cross Operations generated positive net cash flows during the year.

Analysis of Australian Operations

Total sales revenue (excluding discontinued operations) of \$372,156,000 (2012: \$384,396,000) was generated from gold sales of 239,667 ounces (2012: 238,307 ounces) in the year at an average achieved gold price of A\$1,543 per ounce (2012: A\$1,606 per ounce). Although production was consistent with the prior year, revenue was adversely impacted by the decline in the spot gold price during the year.

A summary of production performance for the year ended 30 June 2013 is provided in the table below.

Details of 2013 Production Performance

	Southern Cross		Gwalia		King of the Hills	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
Underground Ore Mined t	254,748	892,365	696,268	662,300	470,058	457,375
Grade g/t Au	2.2	2.9	8.2	8.8	4.4	4.1
Ore Milled t	800,477	1,842,820	833,771	716,640	439,398	452,941
Grade g/t Au	1.4	1.9	7.1	8.3	4.4	4.1
Recovery %	86	89	96	97	95	94
Gold Production oz	31,468	97,392	183,116	184,534	58,477	56,953
Cash Cost ⁽¹⁾ A\$/oz	1,440	1,199	751	646	843	753
Total Cost ⁽¹⁾ A\$/oz	1,700	1,482	979	882	1,193	1,051

(1) Before significant items

Gwalia

Gold production from the Gwalia underground mine in the year was 183,116 ounces (2012: 184,534 ounces), which was consistent with the prior year. Ore tonnes mined increased from 662,300 tonnes in 2012 to 696,268 tonnes in 2013, largely due to strong production performance in the final quarter of the financial year. Ore milled grades declined from 8.3g/t Au in 2012 to 7.1g/t Au in 2013 largely due to an increase in processing of low grade stockpiles from Tower Hill and Gwalia mineralised waste in order to capitalise on plant capacity.

Gwalia unit cash operating costs¹ for the year were \$751 per ounce (2012: \$646 per ounce), reflecting the impact of cost inflation and the result of poor performance in the third quarter arising from drill and blast execution issues. Total Cash Operating Costs¹ at Gwalia of \$137,520,000 were higher compared with the prior year (2012: \$119,158,000) due to the increase in mining volumes and cost inflation.

King of the Hills

Gold production from the King of the Hills underground mine was 58,477 ounces (2012: 56,953 ounces). The average grade increased to 4.4g/t Au in 2013 (2012: 4.1g/t Au) as a result of the application of selective mining methods in the Western Flank. As priority is given to higher grade Gwalia ore for processing in the mill, a stockpile of ore was established with an estimated 5,000 ounces of contained gold at 30 June 2013. The King of the Hills unit cash operating costs for the year were \$843 per ounce (2012: \$753 per ounce), with the increase due mainly to the higher cost of mining the Western flank. Total Cash Operating Costs at King of the Hills were \$49,296,000 (2012: \$42,870,000).

At the end of the June 2013 quarter, a surface diamond drilling program commenced with the aim of extending the deposit further north. This program will be followed up by an underground drilling program on potential resource extensions with the objective of extending the mine life.

Southern Cross

Up until the date of sale on 19 April 2013, Southern Cross operations generated positive net cash flows of \$2,670,000 (after care and maintenance costs incurred of \$8,245,000). The Marvel Loch underground mine produced 31,468 ounces (2012: 97,392 ounces) in the period until the operations were placed on care and maintenance in November 2012. Southern Cross unit cash operating costs for the period were \$1,440 per ounce (2012: \$1,199 per ounce), reflecting the impact of the lower production and processing of low grade stockpiles. Total Cash Operating Costs were \$45,314,000 (2012: \$116,819,000).

On 19 April 2013, the Southern Cross mine was sold for net cash proceeds of \$17,648,000, resulting in an accounting profit before tax of \$22,109,000. The accounting profit included the release of the rehabilitation provision of \$16,852,000.

¹ Cash Operating Costs are mine operating costs including government royalties, and after by-product credits. This is a non-IFRS financial measure which has not been subject to review or audit by the Group's external auditors. It is presented to provide meaningful information to assist management, investors and analysts in understanding the results of the operations. Cash Operating Costs are calculated according to common mining industry practice using The Gold Institute (USA) Production Cost Standard (1999 revision).

Analysis of Pacific Operations

Total sales revenue of \$139,684,000 was generated from gold sales of 88,262 ounces in the period since acquisition on 7 September 2012 at an average achieved gold price of A\$1,564 per ounce.

Planning for the integration of the Pacific Operations was completed in the period and integrating the new operations into St Barbara was well progressed at 30 June 2013. A summary of production performance for the period ended 30 June 2013 is provided in the table below.

Details of 2013 Production Performance

		Simberi	Gold Ridge
		10 months to 30 Jun 13 ⁽¹⁾	10 months to 30 Jun 13 ⁽¹⁾
Open Pit Ore Mined	kt	1,942	1,581
Grade	g/t Au	1.0	1.5
Ore Milled (including stockpiles)	kt	1,471	1,437
Grade	g/t Au	1.1	1.5
Recovery	%	88	65
Gold Production	oz	45,609	45,931
Cash Cost	A\$/oz	1,294	1,702
Total Cost ⁽²⁾	A\$/oz	1,621	2,111

(1) Production attributable to St Barbara from 7 September 2012

(2) Does not include fair value adjustments posted per AASB 3 "Business Combinations" arising from the acquisition of Allied Gold Plc.

Simberi

Since the acquisition date, Simberi produced 45,609 ounces at 1.1 grams per tonne for the period. Production was impacted by mining fleet and processing plant reliability issues. Commissioning of the oxide plant expansion (from 2.0 million tonnes to 3.5 million tonnes capacity) has been delayed by government permits taking more time than anticipated. The new mill will improve plant reliability and realise cost efficiencies from the increased throughput. Unit cash operating costs were \$1,294 per ounce for the period and were negatively impacted by lower mining and processing throughput rates, coupled with higher maintenance costs. Total Cash Operating Costs were \$59,018,000 for the period.

Gold Ridge

After experiencing delays in ore production as a result of a backlog of waste stripping created prior to the change of control of the assets, production at Gold Ridge steadily increased quarter on quarter, to achieve production of 45,931 ounces for the period. Unit cash operating costs were \$1,702 per ounce for the period and were negatively impacted by production delays in the first half of the financial year, mechanical issues in the processing plant and materially lower recoveries as a result of processing more refractory ore than anticipated. Detailed structural and geochemical analysis has identified a higher occurrence of arsenopyrite than previously documented, and processing solutions to address the higher refractory content and lift recovery rates are being investigated. Total Cash Operating Costs were \$78,175,000 for the period.

Corporate and Discovery & Growth

Exploration and evaluation expenditure in the year amounted to \$21,144,000 (2012: \$20,821,000), of which was all expensed in the income statement (2012: \$16,246,000). Expenditure incurred in Australia in the year amounted to \$12,809,000, while exploration in the Pacific was \$8,335,000. Exploration expenditure during the year focussed on investigating highly prospective near mine-targets in Simberi and Gold Ridge. Drilling activities in Australia were scaled back towards the end of the year in response to the fall in the gold price.

Corporate and support costs for the year of \$19,253,000 (2012: \$13,732,000) comprised mainly expenses relating to the corporate office and compliance costs. During the year, costs associated with the Allied Gold corporate office in Brisbane were included in the consolidated corporate costs.

Royalty expenses for the year were \$18,561,000 (2012: \$15,525,000), reflecting the inclusion of royalties paid in Papua New Guinea and Solomon Islands from production from the Simberi and Gold Ridge mines. Royalties paid in Western Australia are 2.5% of gold revenues, plus a corporate royalty of 1.5% of gold revenues. Royalties paid in Papua New Guinea are 2.25% of gold revenues earned from the Simberi mine. Royalties are paid in Solomon Islands at the rate of 1.5% of gold revenues, plus excise duties on gold exports of 1.5%, and a corporate royalty of US\$15 per ounce produced from the Gold Ridge mine.

Other revenue of \$4,072,000 (2012: \$6,779,000) comprised mainly interest earned during the year of \$3,811,000 (2012: \$6,442,000). The decrease in interest earned is reflective of lower cash balances held during 2013 compared with 2012, as well as lower interest rates applied to excess cash balances.

Other income for the year of \$3,131,000 (2012: \$922,000) included \$1,050,000 received for settlement of a legal case.

Depreciation and amortisation of fixed assets and capitalised mine development (excluding discontinued operations) amounted to \$92,812,000 (2012: \$63,399,000) for the year. Depreciation and amortisation attributable to the Australian Operations was \$64,105,000 (2012: \$62,368,000) with a charge at the Pacific Operations of \$16,542,000 (2012: nil) and amortisation of \$9,346,000 was recognised in relation to the fair value of mineral rights acquired in the Allied Gold PLC transaction; the balance of the expense was associated with corporate and exploration activities. The movement in depreciation and amortisation was mainly due to an increase in fixed assets and capitalised mine development as a result of the acquisition of Allied Gold.

Net finance costs in the year were \$22,892,000 (2012: \$3,754,000). The increase on the prior year was largely attributable to interest paid and accrued in relation to the US\$250,000,000 senior secured notes issued in March 2013 at an interest rate of 8.875% p.a., and the syndicated debt facility used to fund the Allied acquisition. During the year, \$7,972,000 of borrowing costs relating to the syndicated debt facilities drawn down in September 2012 and December 2012 was expensed. Fair value movements during the year on the gold prepayment facility acquired as part of the Allied Gold acquisition was a credit of \$2,083,000 and was included in net finance costs. Finance costs also included the unwinding of the discount on the rehabilitation provision of \$3,545,000.

A net realised/unrealised gain of \$15,703,000 (2012: loss of \$5,400,000) was recognised in the income statement for the year, representing the movement in the mark-to-market valuation of the Group's gold put and call options (collar structure). The collar structure is a cash flow hedge, which as at 30 June 2013 provided price protection for 110,748 ounces of King of the Hills production to June 2015. Accounting standards require movements in the time value of the collar structure to be recognised in the income statement at each reporting date. During July 2013, the remaining King of the Hills collar was closed out for cash proceeds of \$8.5 million.

Costs associated with the acquisition of Allied Gold, integration costs and redundancy payments totalled \$17,261,000 for the year (2012: \$5,664,000).

A foreign exchange movements gain of \$9,122,000 for the year (2012: nil) represented movements in foreign currency denominated assets and liabilities. Transactions in the Pacific Operations are denominated in USD, AUD, Papua New Guinea Kina and Solomon Island Dollars.

Discussion and Analysis of the Cash Flow Statement

Operating activities

Cash flows from operating activities for the year were \$71,028,000 (2012: \$224,563,000). Receipts from customers of \$584,716,000 (2012: \$553,847,000) included receipts from Southern Cross gold sales of \$56,603,000 (2012: \$156,793,000). Payments to suppliers of \$489,297,000 (2012: \$317,729,000) increased on the prior year due mainly to the acquisition of the Pacific Operations and the settlement of accounts payable in respect of Southern Cross suppliers. Payments for exploration expensed in the year amounted to \$21,144,000 (2012: \$16,246,000), with the higher amount expensed due to additional exploration in the Pacific. Interest received of \$3,811,000 (2012: \$5,555,000) was lower than in the prior year due to the reduced levels of cash on hand and lower interest rates. Interest paid in the year was \$5,840,000 (2012: \$65,000), which included payments on the syndicated debt facilities drawn down during September and December 2012 (and subsequently restructured with the US notes issue in March 2013).

Investing activities

Net cash flows used in investing activities amounted to \$324,277,000 (2012: \$104,480,000) for the year, which included the cash paid for the acquisition of Allied Gold PLC of \$206,623,000. Higher expenditure on property, plant and equipment of \$74,465,000 (2012: \$18,966,000) was attributable mainly to expenditures on the oxide plant expansion at Simberi. Mine development expenditure in the year was \$60,850,000 (2012: \$80,757,000), which was lower than the prior year due to the cessation of mining activities at Southern Cross in November 2012. No exploration and evaluation expenditure was capitalised during the year (2012: \$4,575,000) due to a focus on exploring prospective targets in an early stage of development/investigation. Investing expenditure during the year was in the following major areas:

- Underground mine development and infrastructure at Gwalia – \$43,200,000 (2012: \$49,302,000);
- Underground mine development and infrastructure at King of the Hills – \$20,231,000 (2012: \$33,598,000);
- Simberi oxide expansion and other capital projects - \$46,924,000; and
- Purchase of property, plant and equipment at the operations – \$22,379,000 (2012: \$19,457,000)

Net proceeds from the sale of Southern Cross Operations of \$17,648,000 was received during the year.

Financing activities

Net cash flows from financing activities were an inflow of \$180,662,000 (2012: outflow of \$14,326,000), with major movements in cash flows including:

- Drawdown and repayment of the \$150,000,000 syndicated loan facility during the year, with associated transaction costs of \$7,262,000.

- US\$250,000,000 senior secured notes issue in March 2013, which was translated to A\$240,200,000 at the spot exchange rate on the date the notes were issued. Costs associated with the notes were \$11,961,000. The notes have a tenor of 5 years at a fixed interest rate payable bi-annually of 8.875% p.a.
- Repayments in relation to the gold prepayment facility of cash equivalents totalling \$24,554,000. The repayment of this facility is by delivery of gold in accordance with a monthly amortisation schedule, with the final payment due in December 2014.
- Scheduled repayments of insurance premiums, leasing and equipment financing facilities amounted to \$6,432,000 (2012: \$11,415,000), with the main variance from the prior year attributable to the final payment of the equipment financing facility in 2012;
- Proceeds for funding asset purchases of \$2,503,000 (2012: \$nil); and
- \$11,832,000 was reclassified as “restricted cash” during the year. This amount relates to the rehabilitation performance bond facility which was secured with cash backing at the time of the US notes issue.

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 \$59,394,000 to \$623,227,000 as a result of the acquisition of Allied Gold PLC in September 2012 and after the asset impairment and write downs.

The available cash balance at 30 June 2013 was \$117,383,000 (2012: \$185,242,000), with an additional \$11,955,000 held on deposit as restricted cash and reported within trade receivables.

Inventories increased to \$63,995,000 (2012: \$21,867,000) as a result of the acquisition of the Pacific Operations. Due to the remote nature of these locations, the Simberi and Gold Ridge mines carry higher levels of consumables and spares inventory than the Australian operations.

Property, plant and equipment increased to \$339,861,000 (2012: \$103,928,000) due to the acquisition of the Pacific Operations, and significant capital expenditure at Simberi of \$37,547,000 to expand the processing plant’s capacity to process oxide ore.

The mineral rights balance of \$209,957,000 represents the amortised balance of the Gold Ridge and Simberi mineral rights acquired in September 2012.

Trade and other payables increased to \$88,658,000 at 30 June 2013 (2012: \$55,542,000) reflecting the net impact of the addition of the Pacific Operations and divestment of Southern Cross operations.

Derivative financial assets of \$11,077,000 (2012: net liabilities of \$16,290,000) represents the mark-to-market value of the King of the Hills put and call option collar structure. The change from the prior year is representative of the low Australian dollar spot gold price and gold forward curve at 30 June 2013, which resulted in the put options being “in-the-money”. The prior year liability reflected the higher spot gold price, which resulted in the call options being “out-of-the-money”. This structure was closed out for cash proceeds of \$8,500,000 in July 2013.

Interest bearing liabilities increased to \$328,092,000 at 30 June 2013 (2012: \$4,256,000) with the two largest components of the year end balance representing the US notes translated at the year end AUD/USD exchange rate (\$262,274,000) and a gold prepayment facility of \$53,809,000, which is repaid monthly with the final payment in December 2014. The gold prepayment facility is recorded at fair

value at each reporting date. The US notes have a maturity date of 15 April 2018 with no repayment obligations before this date.

Provisions increased to \$89,509,000 (2012: \$42,107,000). The increase was due mainly to the addition of rehabilitation provisions arising from the acquisition of the Pacific Operations, offset by the release of rehabilitation provisions of \$16,852,000 as a result of the sale of the Southern Cross operations. The deferred tax balance is a net asset of \$26,355,000 (2012: net asset of \$22,215,000). Deferred tax assets arising from accumulated tax losses in relation to the Pacific Operations of \$79,132,000 (tax effected) have not yet been booked as it is not probable as at 30 June 2013 that future taxable profits will be generated to utilise the losses.

Subsequent Events

No significant events have occurred after balance date for the year ended 30 June 2012, except for the following:

- 5 July 2013 the gold put and call options were closed out for cash proceeds of \$8,500,000.

Net tangible asset backing

	Current period	Previous corresponding period
Net tangible assets per ordinary security*	\$1.28	\$1.74

* Calculated as the Company's 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 2013, which has been audited by KPMG. The 30 June 2013 financial report contains the independent audit report to the members of St Barbara Limited.

Dated: 22 August 2013



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 2013

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DIRECTORS' REPORT

The Directors present their report on the "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 2013.

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
- P C Lockyer Non-executive director
- R K Rae Non-executive director

The qualifications, experience and special responsibilities of the Directors are presented on pages 20 to 22.

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

The Group reported a statutory net loss after tax of \$191,854,000 (2012: statutory profit after tax of \$130,230,000) for the year ended 30 June 2013, including Significant Items totaling a net loss after tax of \$221,139,000 (2012: net gain of \$9,310,000) which included an asset impairment and write down charge. Underlying net profit after tax before significant items was \$29,285,000 (2012: net profit of \$120,920,000). The full year review of St Barbara's asset carrying values as a result of the continuing lower gold price environment and other factors gave rise to the impairment of the carrying value of the Simberi and Gold Ridge gold mines and write down of assets associated with these operations.

Cash on hand (excluding restricted cash) at 30 June 2013 was \$117,383,000 (2012: \$185,242,000). Total interest bearing borrowings were \$328,092,000 (2012: \$4,256,000).

DIRECTORS' REPORT

The consolidated result for the year is summarised as follows:

	30 June 13 \$'000 ⁷	30 June 12 \$'000
Sales revenue (including discontinued operations) ⁷	568,443	541,189
EBITDA ³ (including significant items)	(150,628)	204,034
EBIT ² (including significant items)	(251,630)	106,811
Profit before tax ⁴	(270,711)	109,499
Statutory (Loss)/Profit¹ after tax for the year	(191,854)	130,230
Sales revenue (excluding discontinued operations)	511,840	384,396
Total net significant items	(221,139)	9,310
EBITDA ³ – excluding significant items	141,051	181,631
EBIT ² – excluding significant items	48,239	118,232
Profit before tax – excluding significant items ⁴	34,836	120,920
Underlying net profit after tax⁵ for the year	29,285	120,920

1 Statutory Profit is net profit after tax attributable to owners of the parent.

2 EBIT is earnings before interest revenue, finance costs and income tax expense. It includes revenues and expenses associated with discontinued operations.

3 EBITDA is EBIT before depreciation and amortisation. It includes revenues and expenses associated with discontinued operations.

4 Profit before tax is earnings before income tax expense. It includes revenues and expenses associated with discontinued operations.

5 Underlying net profit after income tax is net profit after income tax ("Statutory Profit") less significant items as described in Note 9 to the financial report, and excluding profit or loss from discontinued operations.

6 EBIT, EBITDA and underlying net profit after tax are non-IFRS financial measures, which have not been subject to review or audit by the Group's external auditors. These measures are presented to enable understanding of the underlying performance of the Group by users.

7 Revenue, EBIT (including significant items), EBITDA (including significant items) and Statutory (Loss)/Profit provided in this table contain information for continuing and discontinued operations. Sales revenue includes \$56,603,000 of revenue from Southern Cross (2012: \$156,793,000) and Statutory Profit for the year includes an after tax loss of \$7,875,000 (2012: loss of \$357,000) for Southern Cross.

Details of significant items included in the Statutory (Loss)/Profit for the year are displayed in the table below. Descriptions of each item are provided in Note 9 to the financial report.

	30 June 13 \$'000	30 June 12 \$'000
Unrealised gain/(loss) on gold options	14,205	(6,102)
Realised gain on gold options	1,498	702
Asset impairments and write downs	(309,170)	(10,219)
Borrowing costs written off	(5,678)	-
Redundancy costs	(2,131)	-
Allied Gold related acquisition costs	(7,862)	(5,664)
Integration costs	(7,268)	-
Profit on sale of Southern Cross	22,109	-
Operating (loss)/profit from discontinued operations	(11,250)	9,862
Significant items before tax	(305,547)	(11,421)
Significant items after tax	(221,139)	9,310

DIRECTORS' REPORT

Asset impairments and write downs

The full year review of the Group's asset carrying values in the context of the lower gold price environment has resulted in the impairment and write down of the carrying value of assets totalling a loss of \$220,913,000 after tax.

	Simberi \$'000	Gold Ridge \$'000	Total \$'000
Write down of assets			
Inventories	28,546	10,975	39,521
Impairments			
Property, plant and equipment	92,069	54,649	146,718
Mining properties	690	240	930
Deferred mining costs	-	849	849
Mineral rights	75,808	41,339	117,147
Goodwill	2,535	1,470	4,005
Total asset impairments and write downs	199,648	109,522	309,170
Tax effect			(88,257)
Total asset impairments and write downs after tax			220,913

Acquisition of Allied Gold Mining Plc

The Group became the sole shareholder of Allied Gold Mining Plc ("Allied Gold") on 7 September 2012 and acquired the entire issued and to be issued ordinary share capital of Allied Gold for \$1.025 in cash, and 0.8 St Barbara shares for each Allied Gold share. AASB 3 "Business Combinations" requires the application of acquisition accounting, which involves recognising and measuring the identifiable assets acquired, liabilities assumed and the determination of mining rights assets and goodwill. In accordance with AASB 3, at 30 June 2013, the initial accounting for the acquisition of Allied Gold has been provisionally determined.

Included in the statutory profit for the year is a net loss before tax of \$30,233,000 before the asset impairment and write down charge, attributable to the Allied operations ("Pacific Operations") from the effective date of acquisition to 30 June 2013. As part of the transaction an integration program was established to bring the two organisations under the single operating model. This has entailed a number of key activities relating to synergies, organisational design, policies and procedures, telecommunications and IT systems, planning processes and legal and financial structures. The implementation plan for the program was completed during the financial year and execution of the plan is well advanced.

Costs associated with the acquisition of Allied Gold amounted to \$7,862,000 and the costs incurred in relation to the integration program were \$7,268,000. In addition, redundancy costs associated with integration of the two companies were \$2,131,000 in the year.

The Pacific Operations did not achieve the level of operational performance planned for the 2013 financial year. The rate of progress towards achieving the expected production performance in the Pacific Operations is slower than expected and has required more attention than previously planned. Two key issues impacting production have been the delay in commissioning the Simberi Oxide

DIRECTORS' REPORT

expansion, and materially lower metallurgical recovery at Gold Ridge. The resolution of these two issues is the immediate focus for the Pacific Operations.

Overview of Operating Results

The statutory loss of \$191,854,000 for the year ended 30 June 2013 (2012: statutory profit of \$130,230,000) was impacted by the lower operating profit from Leonora as a result of lower achieved gold prices during the year, the sale of Southern Cross, the acquisition of Allied Gold PLC, which resulted in (1) negative contributions from the Simberi and Gold Ridge operations, and (2) increased corporate costs associated with the acquisition and integration activities, and the asset impairment and write downs of the Pacific assets.

For the year ended 30 June 2013, the Group reported an underlying profit before tax of \$34,836,000 (2012: \$120,920,000). The underlying profit removes the impact of significant items, including the asset impairment and write down charge and result of the Southern Cross operations disclosed as "discontinued operations" for accounting purposes. Underlying profit after tax was \$29,285,000 (2012: \$120,920,000).

Group revenue (excluding Southern Cross) increased from \$384,396,000 in 2012 to \$511,840,000 in 2013. The acquisition of the Pacific Operations resulted in a total increase of \$139,684,000 from total gold sales of 88,262oz at a realised gold price of A\$1,564/oz. Revenue from Australian Operations (consisting of the Gwalia and King of the Hills underground mines) was adversely impacted by lower average spot gold prices in 2013 compared with 2012.

Revenue from Southern Cross in 2013 was \$56,603,000 (2012: \$156,793,000).

The table below provides a summary of the contribution before tax from continued operations in Australia and the Pacific before the asset impairment and write down charge of \$309,170,000.

Year ended 30 June 2013 \$'000	Australian Operations⁽²⁾	Pacific Operations⁽³⁾	Consolidated
Revenue	372,156	139,684	511,840
Mine operating costs	(177,874)	(140,183)	(318,057)
Gross Profit	194,282	(499)	193,783
Royalties	(14,715)	(3,846)	(18,561)
Depreciation and Amortisation	(64,105)	(25,888)	(89,993)
Contribution from operations⁽¹⁾	115,462	(30,233)	85,229

⁽¹⁾ Excludes corporate and exploration costs, interest and tax, and discontinued operations. This is non-IFRS financial information, which has not been subject to review or audit by the Group's external auditors. This measure is presented to enable understanding of the underlying performance of the operations.

⁽²⁾ Comprising the Gwalia and King of the Hills operations. Southern Cross is classified as a discontinued operation.

⁽³⁾ Comprising the Simberi and Gold Ridge operations.

The contribution from Southern Cross in 2013 was a net loss of \$11,250,000 (2012: net loss of \$357,000). The net loss from Southern Cross in 2013 comprised a net profit (before depreciation and amortisation) from operations of \$5,185,000, care and maintenance costs of \$8,245,000 and depreciation and amortisation of \$8,190,000 (2012: \$33,824,000). Southern Cross Operations generated positive net cash flows during the year.

DIRECTORS' REPORT

Analysis of Australian Operations

Total sales revenue (excluding discontinued operations) of \$372,156,000 (2012: \$384,396,000) was generated from gold sales of 239,667 ounces (2012: 238,307 ounces) in the year at an average achieved gold price of A\$1,543 per ounce (2012: A\$1,606 per ounce). Although production was consistent with the prior year, revenue was adversely impacted by the decline in the spot gold price during the year.

A summary of production performance for the year ended 30 June 2013 is provided in the table below.

Details of 2013 Production Performance

	Southern Cross		Gwalia		King of the Hills		
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	
Underground Ore Mined	t	254,748	892,365	696,268	662,300	470,058	457,375
Grade	g/t Au	2.2	2.9	8.2	8.8	4.4	4.1
Ore Milled	t	800,477	1,842,820	833,771	716,640	439,398	452,941
Grade	g/t Au	1.4	1.9	7.1	8.3	4.4	4.1
Recovery	%	86	89	96	97	95	94
Gold Production	oz	31,468	97,392	183,116	184,534	58,477	56,953
Cash Cost ⁽¹⁾	A\$/oz	1,440	1,199	751	646	843	753
Total Cost ⁽¹⁾	A\$/oz	1,700	1,482	979	882	1,193	1,051

(1) Before significant items

Gwalia

Gold production from the Gwalia underground mine in the year was 183,116 ounces (2012: 184,534 ounces), which was consistent with the prior year. Ore tonnes mined increased from 662,300 tonnes in 2012 to 696,268 tonnes in 2013, largely due to strong production performance in the final quarter of the financial year. Ore milled grades declined from 8.3g/t Au in 2012 to 7.1g/t Au in 2013 largely due to an increase in processing of low grade stockpiles from Tower Hill and Gwalia mineralised waste in order to capitalise on plant capacity.

Gwalia unit cash operating costs¹ for the year were \$751 per ounce (2012: \$646 per ounce), reflecting the impact of cost inflation and the result of poor performance in the third quarter arising from drill and blast execution issues. Total Cash Operating Costs¹ at Gwalia of \$137,520,000 were higher compared with the prior year (2012: \$119,158,000) due to the increase in mining volumes and cost inflation.

King of the Hills

Gold production from the King of the Hills underground mine was 58,477 ounces (2012: 56,953 ounces). The average grade increased to 4.4g/t Au in 2013 (2012: 4.1g/t Au) as a result of the application of selective mining methods in the Western Flank. As priority is given to higher grade Gwalia ore for processing in the mill, a stockpile of ore was established with an estimated 5,000 ounces of contained gold at 30 June 2013. The King of the Hills unit cash operating costs for the year were

¹ Cash Operating Costs are mine operating costs including government royalties, and after by-product credits. This is a non-IFRS financial measure which has not been subject to review or audit by the Group's external auditors. It is presented to provide meaningful information to assist management, investors and analysts in understanding the results of the operations. Cash Operating Costs are calculated according to common mining industry practice using The Gold Institute (USA) Production Cost Standard (1999 revision).

DIRECTORS' REPORT

\$843 per ounce (2012: \$753 per ounce), with the increase due mainly to the higher cost of mining the Western flank. Total Cash Operating Costs at King of the Hills were \$49,296,000 (2012: \$42,870,000).

At the end of the June 2013 quarter, a surface diamond drilling program commenced with the aim of extending the deposit further north. This program will be followed up by an underground drilling program on potential resource extensions with the objective of extending the mine life.

Southern Cross

Up until the date of sale on 19 April 2013, Southern Cross operations generated positive net cash flows of \$2,670,000 (after care and maintenance costs incurred of \$8,245,000). The Marvel Loch underground mine produced 31,468 ounces (2012: 97,392 ounces) in the period until the operations were placed on care and maintenance in November 2012. Southern Cross unit cash operating costs for the period were \$1,440 per ounce (2012: \$1,199 per ounce), reflecting the impact of the lower production and processing of low grade stockpiles. Total Cash Operating Costs were \$45,314,000 (2012: \$116,819,000).

On 19 April 2013, the Southern Cross mine was sold for net cash proceeds of \$17,648,000, resulting in an accounting profit before tax of \$22,109,000. The accounting profit included the release of the rehabilitation provision of \$16,852,000.

Analysis of Pacific Operations

Total sales revenue of \$139,684,000 was generated from gold sales of 88,262 ounces in the period since acquisition on 7 September 2012 at an average achieved gold price of A\$1,564 per ounce.

Planning for the integration of the Pacific Operations was completed in the period and integrating the new operations into St Barbara was well progressed at 30 June 2013. A summary of production performance for the period ended 30 June 2013 is provided in the table below.

Details of 2013 Production Performance

		Simberi	Gold Ridge
		10 months to 30 Jun 13 ⁽¹⁾	10 months to 30 Jun 13 ⁽¹⁾
Open Pit Ore Mined	kt	1,942	1,581
Grade	g/t Au	1.0	1.5
Ore Milled (including stockpiles)	kt	1,471	1,437
Grade	g/t Au	1.1	1.5
Recovery	%	88	65
Gold Production	oz	45,609	45,931
Cash Cost	A\$/oz	1,294	1,702
Total Cost ⁽²⁾	A\$/oz	1,621	2,111

(1) Production attributable to St Barbara from 7 September 2012

(2) Does not include fair value adjustments posted per AASB 3 "Business Combinations" arising from the acquisition of Allied Gold Plc.

DIRECTORS' REPORT*Simberi*

Since the acquisition date, Simberi produced 45,609 ounces at 1.1 grams per tonne for the period. Production was impacted by mining fleet and processing plant reliability issues. Commissioning of the oxide plant expansion (from 2.0 million tonnes to 3.5 million tonnes capacity) has been delayed by government permits taking more time than anticipated. The new mill will improve plant reliability and realise cost efficiencies from the increased throughput. Unit cash operating costs were \$1,294 per ounce for the period and were negatively impacted by lower mining and processing throughput rates, coupled with higher maintenance costs. Total Cash Operating Costs were \$59,018,000 for the period.

Gold Ridge

After experiencing delays in ore production as a result of a backlog of waste stripping created prior to the change of control of the assets, production at Gold Ridge steadily increased quarter on quarter, to achieve production of 45,931 ounces for the period. Unit cash operating costs were \$1,702 per ounce for the period and were negatively impacted by production delays in the first half of the financial year, mechanical issues in the processing plant and materially lower recoveries as a result of processing more refractory ore than anticipated. Detailed structural and geochemical analysis has identified a higher occurrence of arsenopyrite than previously documented, and processing solutions to address the higher refractory content and lift recovery rates are being investigated. Total Cash Operating Costs were \$78,175,000 for the period.

Corporate and Discovery & Growth

Exploration and evaluation expenditure in the year amounted to \$21,144,000 (2012: \$20,821,000), of which was all expensed in the income statement (2012: \$16,246,000). Expenditure incurred in Australia in the year amounted to \$12,809,000, while exploration in the Pacific was \$8,335,000. Exploration expenditure during the year focussed on investigating highly prospective near mine-targets in Simberi and Gold Ridge. Drilling activities in Australia were scaled back towards the end of the year in response to the fall in the gold price.

Corporate and support costs for the year of \$19,253,000 (2012: \$13,732,000) comprised mainly expenses relating to the corporate office and compliance costs. During the year, costs associated with the Allied Gold corporate office in Brisbane were included in the consolidated corporate costs.

Royalty expenses for the year were \$18,561,000 (2012: \$15,525,000), reflecting the inclusion of royalties paid in Papua New Guinea and Solomon Islands from production from the Simberi and Gold Ridge mines. Royalties paid in Western Australia are 2.5% of gold revenues, plus a corporate royalty of 1.5% of gold revenues. Royalties paid in Papua New Guinea are 2.25% of gold revenues earned from the Simberi mine. Royalties are paid in Solomon Islands at the rate of 1.5% of gold revenues, plus excise duties on gold exports of 1.5%, and a corporate royalty of US\$15 per ounce produced from the Gold Ridge mine.

Other revenue of \$4,072,000 (2012: \$6,779,000) comprised mainly interest earned during the year of \$3,811,000 (2012: \$6,442,000). The decrease in interest earned is reflective of lower cash balances held during 2013 compared with 2012, as well as lower interest rates applied to excess cash balances.

Other income for the year of \$3,131,000 (2012: \$922,000) included \$1,050,000 received for settlement of a legal case.

Depreciation and amortisation of fixed assets and capitalised mine development (excluding discontinued operations) amounted to \$92,812,000 (2012: \$63,399,000) for the year. Depreciation

DIRECTORS' REPORT

and amortisation attributable to the Australian Operations was \$64,105,000 (2012: \$62,368,000) with a charge at the Pacific Operations of \$16,542,000 (2012: nil) and amortisation of \$9,346,000 was recognised in relation to the fair value of mineral rights acquired in the Allied Gold PLC transaction; the balance of the expense was associated with corporate and exploration activities. The movement in depreciation and amortisation was mainly due to an increase in fixed assets and capitalised mine development as a result of the acquisition of Allied Gold.

Net finance costs in the year were \$22,892,000 (2012: \$3,754,000). The increase on the prior year was largely attributable to interest paid and accrued in relation to the US\$250,000,000 senior secured notes issued in March 2013 at an interest rate of 8.875% p.a., and the syndicated debt facility used to fund the Allied acquisition. During the year, \$7,972,000 of borrowing costs relating to the syndicated debt facilities drawn down in September 2012 and December 2012 was expensed. Fair value movements during the year on the gold prepayment facility acquired as part of the Allied Gold acquisition was a credit of \$2,083,000 and was included in net finance costs. Finance costs also included the unwinding of the discount on the rehabilitation provision of \$3,545,000.

A net realised/unrealised gain of \$15,703,000 (2012: loss of \$5,400,000) was recognised in the income statement for the year, representing the movement in the mark-to-market valuation of the Group's gold put and call options (collar structure). The collar structure is a cash flow hedge, which as at 30 June 2013 provided price protection for 110,748 ounces of King of the Hills production to June 2015. Accounting standards require movements in the time value of the collar structure to be recognised in the income statement at each reporting date. During July 2013, the remaining King of the Hills collar was closed out for cash proceeds of \$8.5 million.

Costs associated with the acquisition of Allied Gold, integration costs and redundancy payments totalled \$17,261,000 for the year (2012: \$5,664,000).

A foreign exchange movements gain of \$9,122,000 for the year (2012: nil) represented movements in foreign currency denominated assets and liabilities. Transactions in the Pacific Operations are denominated in USD, AUD, Papua New Guinea Kina and Solomon Island Dollars.

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

Cash flows from operating activities for the year were \$71,028,000 (2012: \$224,563,000). Receipts from customers of \$584,716,000 (2012: \$553,847,000) included receipts from Southern Cross gold sales of \$56,603,000 (2012: \$156,793,000). Payments to suppliers of \$489,297,000 (2012: \$317,729,000) increased on the prior year due mainly to the acquisition of the Pacific Operations and the settlement of accounts payable in respect of Southern Cross suppliers. Payments for exploration expensed in the year amounted to \$21,144,000 (2012: \$16,246,000), with the higher amount expensed due to additional exploration in the Pacific. Interest received of \$3,811,000 (2012: \$5,555,000) was lower than in the prior year due to the reduced levels of cash on hand and lower interest rates. Interest paid in the year was \$5,840,000 (2012: \$65,000), which included payments on the syndicated debt facilities drawn down during September and December 2012 (and subsequently restructured with the US notes issue in March 2013).

Investing activities

Net cash flows used in investing activities amounted to \$324,277,000 (2012: \$104,480,000) for the year, which included the cash paid for the acquisition of Allied Gold PLC of \$206,623,000. Higher expenditure on property, plant and equipment of \$74,465,000 (2012: \$18,966,000) was attributable mainly to expenditures on the oxide plant expansion at Simberi. Mine development expenditure in the

DIRECTORS' REPORT

year was \$60,850,000 (2012: \$80,757,000), which was lower than the prior year due to the cessation of mining activities at Southern Cross in November 2012. No exploration and evaluation expenditure was capitalised during the year (2012: \$4,575,000) due to a focus on exploring prospective targets in an early stage of development/investigation. Investing expenditure during the year was in the following major areas:

- Underground mine development and infrastructure at Gwalia – \$43,200,000 (2012: \$49,302,000);
- Underground mine development and infrastructure at King of the Hills – \$20,231,000 (2012: \$33,598,000);
- Simberi oxide expansion and other capital projects - \$46,924,000; and
- Purchase of property, plant and equipment at the operations – \$22,379,000 (2012: \$19,457,000)

Net proceeds from the sale of Southern Cross Operations of \$17,648,000 was received during the year.

Financing activities

Net cash flows from financing activities were an inflow of \$180,662,000 (2012: outflow of \$14,326,000), with major movements in cash flows including:

- Drawdown and repayment of the \$150,000,000 syndicated loan facility during the year, with associated transaction costs of \$7,262,000.
- US\$250,000,000 senior secured notes issue in March 2013, which was translated to A\$240,200,000 at the spot exchange rate on the date the notes were issued. Costs associated with the notes were \$11,961,000. The notes have a tenor of 5 years at a fixed interest rate payable bi-annually of 8.875% p.a..
- Repayments in relation to the gold prepayment facility of cash equivalents totalling \$24,554,000. The repayment of this facility is by delivery of gold in accordance with a monthly amortisation schedule, with the final payment due in December 2014.
- Scheduled repayments of insurance premiums, leasing and equipment financing facilities amounted to \$6,432,000 (2012: \$11,415,000), with the main variance from the prior year attributable to the final payment of the equipment financing facility in 2012;
- Proceeds for funding asset purchases of \$2,503,000 (2012: \$nil); and
- \$11,832,000 was reclassified as “restricted cash” during the year. This amount relates to the rehabilitation performance bond facility which was secured with cash backing at the time of the US notes issue.

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 \$59,394,000 to \$623,227,000 as a result of the acquisition of Allied Gold PLC in September 2012 and after the asset impairment and write downs.

The available cash balance at 30 June 2013 was \$117,383,000 (2012: \$185,242,000), with an additional \$11,955,000 held on deposit as restricted cash and reported within trade receivables.

Inventories increased to \$63,995,000 (2012: \$21,867,000) as a result of the acquisition of the Pacific Operations. Due to the remote nature of these locations, the Simberi and Gold Ridge mines carry higher levels of consumables and spares inventory than the Australian operations.

DIRECTORS' REPORT

Property, plant and equipment increased to \$339,861,000 (2012: \$103,928,000) due to the acquisition of the Pacific Operations, and significant capital expenditure at Simberi of \$37,547,000 to expand the processing plant's capacity to process oxide ore.

The mineral rights balance of \$209,957,000 represents the amortised balance of the Gold Ridge and Simberi mineral rights acquired in September 2012.

Trade and other payables increased to \$88,658,000 at 30 June 2013 (2012: \$55,542,000) reflecting the net impact of the addition of the Pacific Operations and divestment of Southern Cross operations.

Derivative financial assets of \$11,077,000 (2012: net liabilities of \$16,290,000) represents the mark-to-market value of the King of the Hills put and call option collar structure. The change from the prior year is representative of the low Australian dollar spot gold price and gold forward curve at 30 June 2013, which resulted in the put options being "in-the-money". The prior year liability reflected the higher spot gold price, which resulted in the call options being "out-of-the-money". This structure was closed out for cash proceeds of \$8,500,000 in July 2013.

Interest bearing liabilities increased to \$328,092,000 at 30 June 2013 (2012: \$4,256,000) with the two largest components of the year end balance representing the US notes translated at the year end AUD/USD exchange rate (\$262,274,000) and a gold prepayment facility of \$53,809,000, which is repaid monthly with the final payment in December 2014. The gold prepayment facility is recorded at fair value at each reporting date. The US notes have a maturity date of 15 April 2018 with no repayment obligations before this date.

Provisions increased to \$89,509,000 (2012: \$42,107,000). The increase was due mainly to the addition of rehabilitation provisions arising from the acquisition of the Pacific Operations, offset by the release of rehabilitation provisions of \$16,852,000 as a result of the sale of the Southern Cross operations.

The deferred tax balance is a net asset of \$26,355,000 (2012: net asset of \$22,215,000). Deferred tax assets arising from accumulated tax losses in relation to the Pacific Operations of \$79,132,000 (tax effected) have not yet been booked as it is not probable as at 30 June 2013 that future taxable profits will be generated to utilise the losses.

Significant changes in the state of affairs

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

- a) Net profit/(loss) for the year
The Group reported a net loss after tax for the year of \$191,854,000, which increased the accumulated losses of the Group to \$238,013,000 at 30 June 2013. The net loss after tax included the asset impairment and write down charge of \$220,913,000 after tax.
- b) Asset impairment and write down charge
At 30 June 2013 the Group recognised an asset impairment and write down charge of \$309,170,000 before tax in relation to goodwill, inventory, plant and equipment, deferred mine operating development expenditure, mineral rights, capitalised mine development expenditure and capitalised exploration and evaluation expenditure in relation to Gold Ridge and Simberi. The after tax charge was \$220,913,000.
- c) Increase in net assets
The Group's net assets increased by \$59,394,000 during the year mainly as a result of the acquisition of Allied Gold PLC and further investment in the Pacific Operations during the period to 30 June 2013, offset by the asset impairment and write down charge. Net assets acquired in the Allied transaction totalled \$483,901,000.

DIRECTORS' REPORT

d) Increase in interest bearing borrowings

Total interest bearing borrowings increased to \$328,092,000 during the year with the movement comprising:

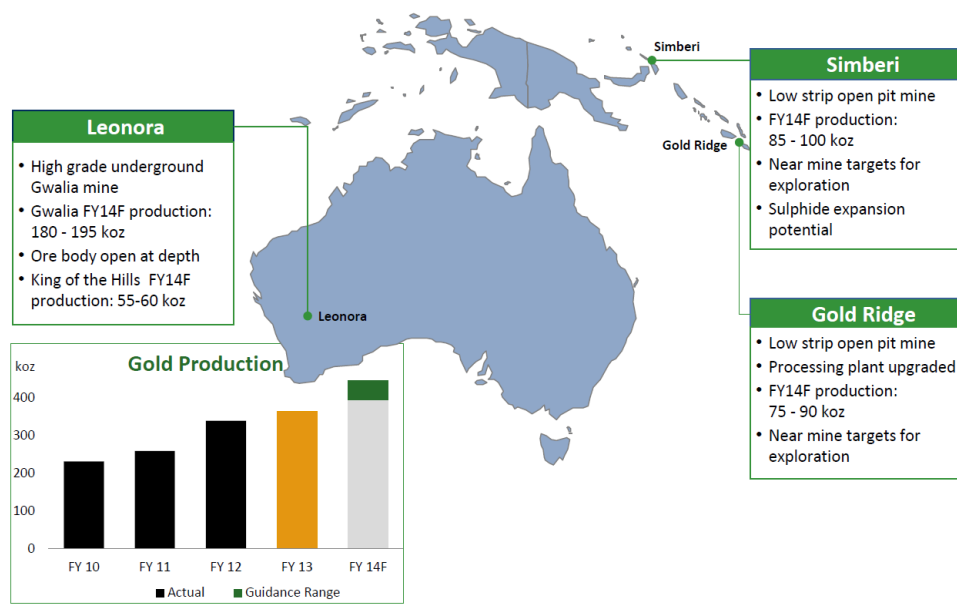
- USD250,000,000 senior secured notes issue in March 2013 to repay the syndicated bank facility used to support funding of the Allied Gold acquisition (balance at 30 June 2013: \$262,274,000); and
- Gold prepayment facility with a balance of \$53,809,000 at 30 June 2013, which was acquired as part of the Allied Gold acquisition.

e) Changes in issued capital

The Company issued 163,453,688 shares at \$1.67 per share as part of the consideration for the acquisition of Allied Gold PLC.

Business strategy and future prospects

St Barbara's strategic focus is on mining lower cost gold deposits in Australia and the Pacific. Currently the Group has a diversified asset portfolio spanning underground and open cut mines, and exploration projects in Australia, Papua New Guinea and Solomon Islands. St Barbara's strategy is to generate shareholder value through the discovery and development of gold deposits and production of gold. The Group aligns its decisions and activities to this strategy by focusing on three key value drivers: relative total shareholder returns, growth in gold ore reserves and return on capital employed.



Strategic drivers for the business include:

- *Optimising cash flow and reducing the cost base:* The Group is focused on optimising cash flow from operations through maximising production and managing costs at its existing operations, enhancing operating capabilities and incorporating new technologies across St Barbara. The Group will continue to identify opportunities to enhance efficiency and improve operating performance. For example, in September 2012, new trucking technology was introduced at the Gwalia underground mine, which is continuing to deliver efficiency improvements compared to the previous haulage trucks. The Group has established investment criteria that ensure approved capital expenditure is appropriate and prioritised, and will deliver an adequate return.

DIRECTORS' REPORT

- *Improving productivity:* The Group is focused on increasing volumes at the Pacific operations and reducing operating costs. Since acquiring the Pacific Operations, St Barbara has made a significant investment to improve infrastructure, mining fleets and capability to ensure consistent and reliable production.
- *Growing the ore reserve base through the development of existing Mineral Resources and exploration activities:* A number of potential organic growth opportunities have been identified, which could increase production and extend the life of the Pacific operations. At Simberi, a sulphide ore reserve, which has been estimated at 1.4 Moz, provides an opportunity to create a long life production centre at Simberi. At Gold Ridge, there are possibilities for expansion of known ore bodies and exploration opportunities in proximity to current mining operations. In addition the Group is generating and evaluating exploration targets in the Tabar Island Group in Papua New Guinea and exploring on its Leonora tenement holdings to identify future ore sources.
- *Maintaining a conservative financial profile:* The Group will continue to maintain prudent financial management policies with the objective of maintaining the strong cash balance as at 30 June 2013. The Group's financial management policies are aimed at generating net cash flows from operations to meet financial commitments, and maintaining sufficient capacity under its financing arrangements to fund project development, exploration and acquisitions, to the extent viable and appropriate. The Group's capital management plan is reviewed and discussed with the Board on a regular basis.
- *Continue and strengthen the Group's commitment to employees and local communities:* The Group considers the capability and wellbeing of its employees as key in delivering the business strategy. Creating and sustaining a safe work environment and ensuring that operations conform to applicable environmental and sustainability standards is an important focus for the Group. The Group invests in the training and development of its employees, talent management, and succession planning, and views such efforts as an important component of instilling St Barbara's values throughout the organisation and retaining continuity in the workforce. The Group has implemented a comprehensive talent management framework to strengthen the capacity to attract, motivate and retain capable people. The Group also has an ongoing commitment to work with local communities to improve infrastructure, particularly in health and education, support local businesses, and provide venues for leisure activities, and other opportunities for developing communities in which the Group operates.

In identifying and developing deposits that meet the Group's investment criteria, the Group has installed a disciplined approach to assess potential exploration targets. The exploration strategy is based on a philosophy of turning over projects efficiently within highly prospective provinces, initiating work on new tenement holdings and to drill test targets with demonstrable value.

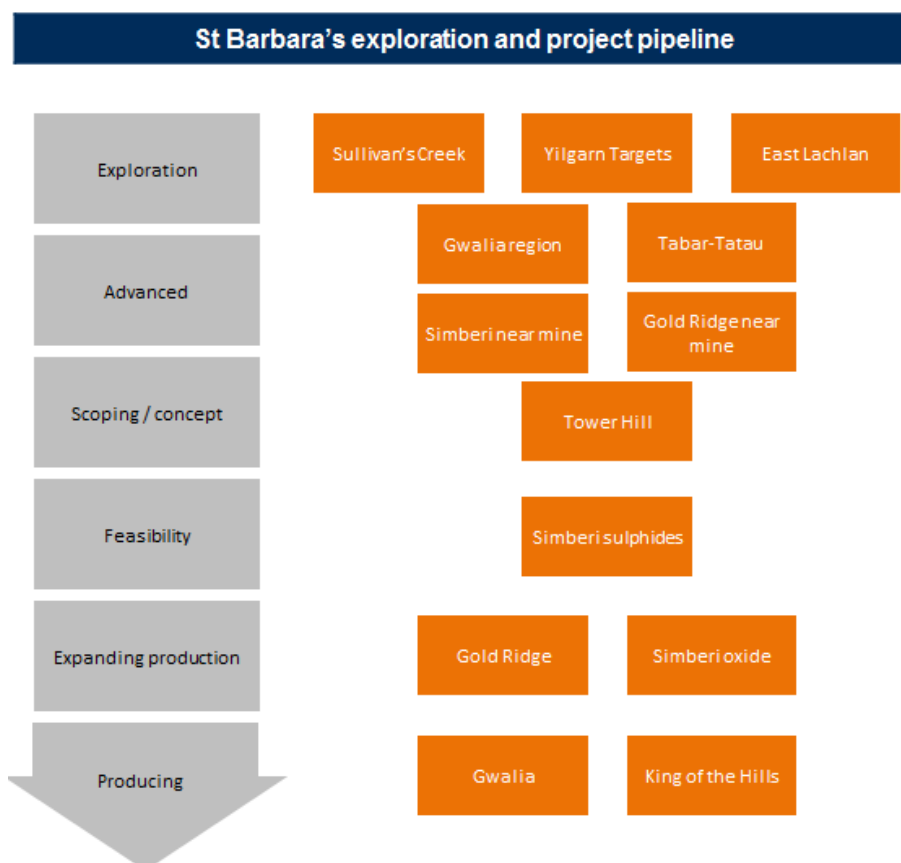
The highest value targets are tested through an expected value analysis methodology. The focus of effort in the near future is to drill and test highly prospective targets around Simberi, including near mine targets at Sorowar, Botlu, Pigicow, Patan and Samat for oxide and sulphide ore.

At Gold Ridge, exploration effort in the next year is on drilling targets around existing pits to expand the mine's mineral resources. In particular, focus will be placed on the Charivunga zone where high grades have been targeted that could support production at higher grades than currently being mined, and potentially within a larger scale mining operation.

DIRECTORS' REPORT

Within Australia, the Gwalia underground mine with a current mine life of at least 9 years remains the flagship asset of the Group, generating strong cash flows to support the exploration and additional investment in the Pacific Operations to achieve the expected production growth from Gold Ridge and Simberi.

The table below displays the Group's current pipeline of projects, and the stage of each, from initial exploration analysis in the East Lachlan, to concept studies for Simberi sulphides, to producing assets.



The Group's 2014 financial year budget was developed in the context of a volatile gold market following a significant decline in the gold price. The Group's priorities in the 2014 financial year are to continue consistent production from Leonora, optimise the operations in the Pacific and to reduce costs and capital expenditure. For the 2014 financial year the Group's operational and financial outlook is as follows:

- Gold production is expected to be 395,000 to 445,000 ounces.
- Cash operating costs is expected to be in the range of \$880 per ounce to \$940 per ounce.
- Capital expenditure is expected to be \$91 million to \$108 million, with exploration estimated at \$20 million to \$25 million.

The Gwalia mine at Leonora remains the Group's cornerstone asset and after capital expenditure is expected to generate significant free cash flow in the 2014 financial year. The Pacific operations, while taking longer and costing more to reach profitable operational performance, remain valuable long term assets.

DIRECTORS' REPORT

Material business risks

St Barbara prepares its business plan using estimates of production and financial performance based on a business planning system and a range of assumptions and expectations. There is uncertainty in these assumptions and expectations, and risk that variation from them could result in actual performance being different to planned outcomes. The uncertainties arise from a range of factors, including the Group's international operating scope, nature of the mining industry and economic factors. The material business risks faced by the Group that may have an impact on the operating and financial prospects of the Group as at 30 June 2013 are:

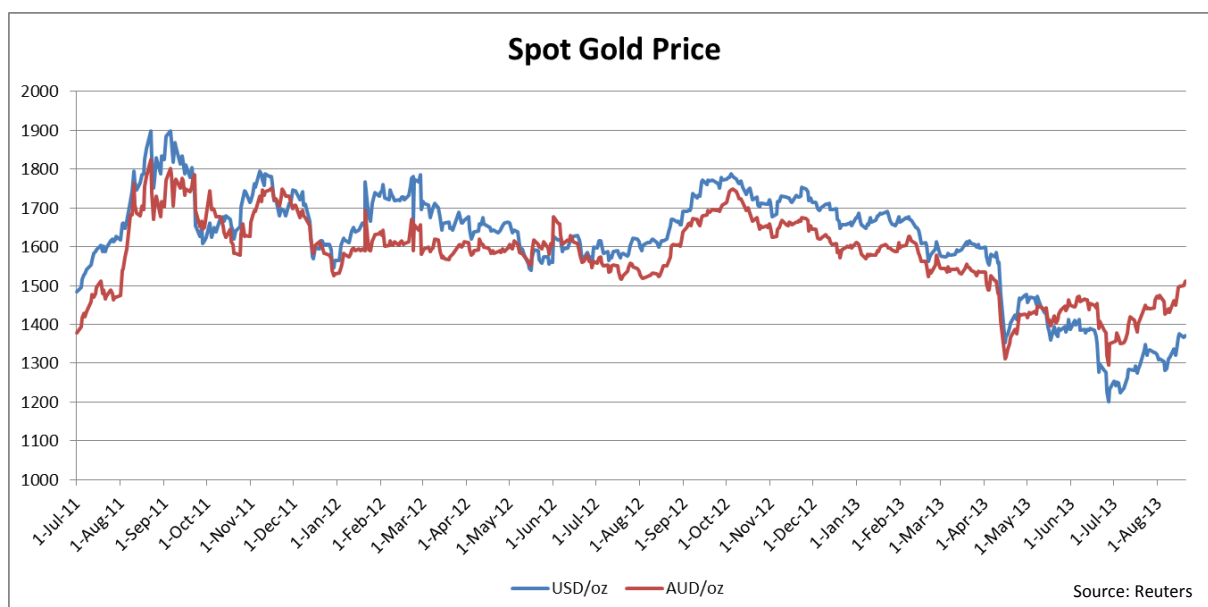
- *Fluctuations in the United States Dollar ("USD") spot gold price:* The Group's revenues are exposed to fluctuations in the USD spot gold price. During the period from April 2013 to June 2013, the spot gold price fell by approximately USD\$350/oz. Due to the fact that the Group's operating costs are denominated in local currencies, in the absence of other changes, if the local currencies strengthen in value relative to the USD then the Group's financial results are likely to be adversely affected.

Volatility in the gold price creates revenue uncertainty and requires careful management of business performance to ensure that operating cash margins are maintained despite a fall in the spot gold price.

Declining gold prices can also impact operations by requiring a reassessment of the feasibility of a particular exploration or development project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment could cause substantial delays and/or may interrupt operations, which may have a material adverse effect on our results of operations and financial condition.

In assessing the feasibility of a project for development, the Group may consider whether a hedging instrument should be put in place in order to guarantee a minimum level of return. For example the Group put in place a gold collar structure when the King of the Hills project was commissioned.

The Group has a centralised treasury function that monitors the risk of fluctuations in the USD gold price and impacts on expenditures from movements in local currencies. Where possible, the exposure to movements in the USD relative to USD denominated expenditure is offset by the exposure to the USD gold price (a natural hedge position).



DIRECTORS' REPORT

- *Government regulation:* The Group's mining, processing, development and exploration activities are subject to various laws and statutory regulations governing prospecting, development, production, taxes, royalty payments, labour standards and occupational health, mine safety, toxic substances, land use, water use, communications, land claims of local people and other matters.

No assurance can be given that new laws, rules and regulations will not be enacted or that existing laws, rules and regulations will not be applied in a manner which could have an adverse effect on the Group's financial position and results of operations. Any such amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Group. Failure to comply with any applicable laws, regulations or permitting requirements may result in enforcement actions against the Group, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

- *Operating risks and hazards:* The Group's mining operations, consisting of open pit and underground mines, generally involve a high degree of risk, and these risks are increased when mining occurs at increased depth. The Group's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold. Processing operations are subject to hazards such as equipment failure, toxic chemical leakage, loss of power, fast-moving heavy equipment, failure of deep sea tailings disposal pipelines and retaining dams around tailings containment areas, which may result in environmental pollution and consequent liability. The impact of these events could lead to disruptions in production and scheduling, increased costs and loss of facilities, which may have a material adverse impact on the Group's results of operations, financial condition and prospects. These risks are managed by a structured operations risk management framework.
- *Pacific Operations' production may not be realised:* Since the acquisition of the Pacific Operations the Simberi and Gold Ridge mines have achieved operational performance well short of expectations. The benefits the Group expects to result from the acquisition of the Pacific operations will depend, in part, on St Barbara's ability to increase production at Simberi and Gold Ridge while reducing costs, so as to increase net cash flows. Achieving success in realising these benefits, and the timing of this realisation, are linked to the completion of various production improvement and expansion projects aimed at improving operational capabilities, lifting production performance, lowering operating costs and improving the overall condition of operations. In developing the 2014 financial year budget the Group identified a number of initiatives to increase gold production and reduce costs at Simberi and Gold Ridge, and these initiatives are being actively managed.
- *Exploration and development risk:* Although the Group's activities are primarily directed towards mining operations and the development of mineral deposits, its activities also include the exploration for mineral deposits and the possibility of third party arrangements including joint ventures, partnerships, toll treating arrangements or other third party contracts. An ability to sustain or increase the current level of production in the longer term is in part

DIRECTORS' REPORT

dependent on the success of the Group's exploration activities and development projects, and the expansion of existing mining operations.

The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored subsequently have economic deposits of gold identified, and even fewer are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to establish rights to mine the ground, to receive all necessary operating permits, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs the Group plans will result in a profitable mining operation.

Whether a mineral deposit will be commercially viable depends on a number of factors.

The Group has a disciplined approach to allocating budget to exploration projects. The Group also has investment criteria to ensure that development projects are only approved if an adequate return on the investment is expected.

- *Political, social and security risks:* St Barbara has production and exploration operations in developing countries that are subject to political, economic and other risks and uncertainties. The formulation and implementation of government policies in these countries may be unpredictable. Operating in developing countries also involves managing security risks associated with the areas where the Group has activities. The Group has established policies and procedures to assist in managing and monitoring various government relations. The Group's operating procedures at its mines in the Pacific include detailed security plans.
- *Community relations:* A failure to adequately manage community and social expectations within the communities in which the Group operates may lead to local dissatisfactions which, in turn, could lead to interruptions to production and exploration operations. The Group has an established stakeholder engagement framework to guide the management of the Group's community relations efforts. At each of the operations in the Pacific there is a dedicated community relations team to work closely with the local communities and government.

Risk management

The Group manages the risks listed above, and other day-to-day risks through an established enterprise wide risk management framework which conforms to Australian and international standards and guidance. The Group's risk reporting and control mechanisms are designed to ensure strategic, operational, legal, financial, reputational and other risks are identified, assessed and appropriately managed.

The financial reporting and control mechanisms are reviewed during the year by management, the Audit Committee, the internal audit function and the external auditor.

The Group has policies in place to manage risk in the areas of Health and Safety, Environment and Equal Employment Opportunity.

The Executive Leadership Team and the Board regularly review the risk portfolio of the business and the effectiveness of the Group's management of those risks.

DIRECTORS' REPORT**Regulatory environment**Australia

The Group's Australian mining activities are in Western Australia and 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 Mining Rehabilitation Fund Act 2012 takes effect from 1 July 2013. The Mining Rehabilitation Fund will replace unconditional environmental performance bonds for companies operating under the Mining Act 1978.

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 Group is registered pursuant to the National Greenhouse and Energy Reporting Act 2007 under which it is required to report annually its energy consumption and greenhouse gas emissions. 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 Group has established data collection systems and processes to meet these reporting obligations. The Group's Australian operations are also required to comply with the Australian Federal Government's Clean Energy Act 2011, effective from 1 July 2012.

Papua New Guinea

The primary Papua New Guinea mining legislation is the Mining Act 1992, which governs the granting and cessation of mining rights. Under the Mining Act, all minerals existing on, in or below the surface of any land in Papua New Guinea, are the property of the State. The Mining Act establishes a regulatory regime for the exploration for, and development and production of, minerals and is administered by the Minerals Resources Authority. Environmental impact is governed by the Environment Act 2000, administered by the Department of Environment and Conservation.

Solomon Islands

The primary Solomon Islands mining law is the Mines and Minerals Act ("MMA"). The MMA regulates three stages of mining operations identified as reconnaissance, prospecting and mining, and other aspects relevant to the minerals sector. The MMA is regulated by the Department of Mines, Energy and Rural Electrification. Under the MMA and the Solomon Islands Constitution, ownership of all minerals in or under land vests in the people and the Solomon Islands government. The MMA grants the Solomon Islands government the sole authority to allocate mineral rights.

The Environment Act 1998 and the MMA contain environmental protection provisions relevant to companies engaging in mining activities in Solomon Islands, and mining operations require the consent of the Director of the Environment and Conservation Department. Under the MMA, the Minister for Mines has enacted regulations requiring mining operations to be performed in a manner which avoids waste and unnecessary damage and contamination to the environment.

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 has been 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

Straits Resources Limited

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.

Timothy 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 five 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 200,770 fully paid ordinary shares and holds 897,803 performance rights that will convert into shares subject to performance hurdles. The details of the 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 130,247 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.

Ms Donaghey also 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 Board of the Australian Renewable Energy Agency, an independent statutory authority established by the Commonwealth Government.

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 a relevant interest in 75,000 fully paid ordinary shares of the Company.

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

Mr Lockyer is an experienced mining engineer and metallurgist with over 40 years of 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
RTG Mining Inc

Former public company directorships in last 3 years

CGA Mining 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 75,031 fully paid ordinary shares of the Company.

Robert K 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 120,000 fully paid ordinary shares of the Company.

DIRECTORS' REPORT**Qualifications and experience of the company secretary**

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

Mr Kennedy has more than 25 years of 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.

Information on Executives

Timothy 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.

Garth Campbell-Cowan B.Com, Dip-Applied Finance & Investments, FCA, Chief Financial Officer

Mr Campbell-Cowan is a Chartered Accountant with over 25 years of experience in finance and management positions across a number of different industries. He was appointed to the position of Chief Financial Officer in September 2006 and is responsible for the Group's Finance function, covering financial reporting and accounting, treasury, taxation, business analysis, capital management, procurement and information technology. Mr Campbell-Cowan also co-ordinates St Barbara's strategy and planning activities. Prior to joining St Barbara, he was Director of Corporate Accounting at Telstra and has held senior finance leadership roles with WMC, Newcrest Mining and ANZ.

Alistair Croll B.Sc Mining Engineering, GDE Mineral Economics, Chief Operating Officer

Mr Croll joined St Barbara as COO in 2012, and has extensive experience in all aspects of mining operations, including technical, project and general management roles up to Managing Director. Mr Croll is equally comfortable in open pit and underground operations, with experience in gold, platinum, diamond, manganese, chrome and nickel. Mr Croll has held senior roles with Kimberley Diamond Company, Blina Minerals and Consolidated Minerals in Australia, and in South Africa with Anglo Platinum and 17 years with the De Beers Group.

Katie-Jeyn Romeyn B.Mgt (Human Resource Management), Executive General Manager Human Resources

Ms Romeyn joined St Barbara in 2007 and was appointed Executive General Manager Human Resources in 2012. In this role Ms Romeyn is a member of the Executive Leadership Team, assists the Remuneration Committee and leads the Human Resources Division of the Company. With over 10 years' experience in the mining industry, prior to joining St Barbara, Ms Romeyn worked in a number of roles in HR with WMC Resources, Rio Tinto and BHP Billiton.

Phil Uttley B.Sc. Hons. (Geol. & Mineral.), FAusIMM, Executive General Manager Discovery and Growth

Mr Uttley is an experienced exploration executive with over 35 years of industry experience having held senior positions in Sino Gold, SRK Consulting and Renison Goldfields Consolidated (formerly Gold Fields). Mr Uttley has a B.Sc Hons. (Geol. & Mineral) from University of Queensland and is an experienced exploration geologist, with a demonstrated track record in gold discoveries and establishment of resources for gold production. Mr Uttley commenced with St Barbara in September 2009.

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
C Wise	10	10	5	5	7	7	4	4
T Lehany	10	10	-	-	-	-	-	-
D Bailey	10	10	5	5	7	7	-	-
E Donaghey	10	10	-	-	7	7	4	4
P Lockyer	10	10	5	5	-	-	4	4
R Rae	10	10	5	5	7	7	-	-

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

Remuneration report (Audited)**Introduction**

This Remuneration Report forms part of the Directors' Report for the year ended 30 June 2013, a year that has seen significant structural changes within the Group including the acquisition of projects in the South West Pacific and the divestment of Southern Cross Operations. It describes the alignment of remuneration strategies with Group strategies for value creation, remuneration related decision making authorities within the Group and the remuneration principles that applied for the 2013 financial year. The Report also provides details of remuneration paid for the 2013 financial year to Directors and senior executives, collectively referred to as Key Management Personnel.

Overview of contents

1. Strategy and industry context;
2. Decision making authorities for remuneration at St Barbara;
3. Principles applied in determining the structure and amount of remuneration;
4. Group performance;
5. Details of remuneration paid; and
6. Summaries of service agreements for Key Management Personnel.

1. Strategy and Industry Context*Group Strategy*

The Group's strategies for the 2013 financial year have focussed on the integration of the Simberi Operations in Papua New Guinea and the Gold Ridge Operations in the Solomon Islands (together called the Pacific Operations). The Southern Cross Operations, a higher cost and relatively mature gold operation in Western Australia, was divested during the year for \$18 million in cash proceeds, consistent with the Group's focus on longer life and lower cost operations.

In response to the US dollar gold price breaking a ten year upward trend to the down side, the Group has also taken a number of steps to adapt to a lower gold price environment.

DIRECTORS' REPORT**Remuneration report (Audited) - Continued**

Operationally, the focus was to adapt and apply the Group's strong organisational capabilities and business systems to the Pacific Operations to reliably underpin sustained long term profitability and cash generation from these assets. This has required a significant investment in working capital, new equipment and infrastructure for the two Pacific Operations.

Equally important, attention continues to be paid to "licence to operate" matters such as:

- creating and sustaining a safe working environment;
- ensuring that operations conform to applicable environmental and sustainability standards;
- maintaining effective community and government relations; and
- continuing to develop organisational capability as a core competency for competitive advantage.

Exploration activities have continued with a growing emphasis on exploring for near mine deposits at each of the Leonora, Simberi and Gold Ridge Operations. In its June 2013 Quarterly Report, the Group reported that early drilling results from the Pacific Operations enhanced its positive view of the long term value and upside potential of the Pacific Operations.

Industry context

The Group is a gold producer with revenue for the 2013 financial year of \$511,840,000 (from continuing operations) with gold operations at Leonora in Western Australia, Simberi in Papua New Guinea and Gold Ridge in the Solomon Islands. The Leonora Operations comprise two underground mines – Gwalia and King of the Hills and one processing plant at Gwalia. The Simberi and Gold Ridge Operations are open cut mining operations with processing plants at each site.

As at 30 June 2013, the Group workforce comprised 1,900 employees and 670 contractors. Specialist mining contractors are used for underground mining and development at Gwalia and King of the Hills. The Group operates the Pacific Operations as owner-miner.

The Group competes for labour within the broader Australasian-Pacific resources sector and benchmarks its remuneration systems and levels against comparable Australian companies operating in Australia and overseas. The Australian Operations predominantly employ staff on fly-in fly-out (FIFO) arrangements, and compete with other Australian FIFO operations. The Pacific Operations predominantly employ people locally, with the remainder employed on FIFO arrangements.

Remuneration Strategy

The objectives of the Remuneration strategy for the 2013 financial year, consistent with the Group strategy, were to ensure that:

- total remuneration for senior executives and each level of the workforce was market competitive;
- key employees were retained;
- 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, through an appropriate mix of short and long term incentives;
- 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.

DIRECTORS' REPORT

Remuneration report (Audited) - Continued

The remuneration strategy, policy and structure are essentially unchanged from the previous reporting period (aside from the expansion of LTI performance measures described later in this report) and are directly linked to the development of strategies and budgets in the Group's annual planning cycle:

Annual Planning Timetable

Month	Strategy & Reporting	Remuneration
October	Annual strategy update	
January		Review STI & LTI design framework
February	Half Year Financial Report	
April	Budget setting framework	Set Remuneration review framework Set STI targets for following financial year
July		Measure STI outcomes and determine quantum Measure LTI outcomes and action any vested entitlements
August	Annual Financial Report	
October	Annual Report	
November	Annual General Meeting	Shareholder approval of LTI issued to MD&CEO

Key developments

On 7 September 2012, the Group acquired Allied Gold Mining Plc by way of a Scheme of Arrangement, including the Simberi and Gold Ridge Operations.

The Southern Cross Operations, having produced gold continuously during the Group's ownership of them since March 2005, were placed on care and maintenance in December 2012. A sale agreement for Southern Cross Operations was entered into in January 2013 and completed in April 2013.

In March 2013, the Group issued US\$250 million of senior secured notes and used the proceeds to:

- repay existing bank debt of A\$150 million;
- provide cash backing for an existing A\$20 million environmental bond facility; and
- pay transaction costs and provide general working capital.

Decision making authorities for remuneration at St Barbara

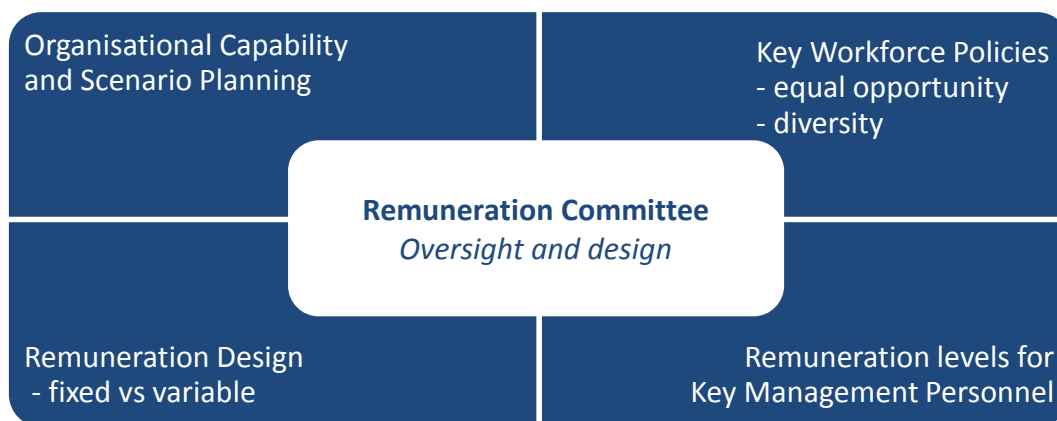
Remuneration strategy and policies are approved by the Board. They are aligned with, and underpin, the corporate strategy as set out in Section 1. On behalf of the Board, the Remuneration Committee oversees and reviews the effectiveness of the remuneration strategy, policies and practices to ensure that the interests of the Group, shareholders and employees are properly taken into account. The charter for the Remuneration Committee is approved by the Board and is available on the Group's website at www.stbarbara.com.au.

The Remuneration Committee is responsible for making recommendations to the Board on all aspects of remuneration arrangements for the five Non Executive Directors, the Managing Director and CEO, and the five most senior executives with the authority and responsibility for planning, directing and controlling the activities of the Group, and these individuals are collectively referred to as the Key Management Personnel.

DIRECTORS' REPORT

Remuneration report (Audited) - Continued

In addition, the Remuneration Committee oversees and reviews proposed levels of annual organisation remuneration increases and key employee related policies. It also receives reports on organisation capability and effectiveness, skills, training and development and succession planning for key roles.



The members of the Remuneration Committee are all independent, Non Executive Directors and as at the date of this report comprised:

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

In forming remuneration recommendations, the Remuneration Committee obtains and considers each year industry specific independent data and professional advice as appropriate. All reports and professional advice relating to the Managing Director and CEO's remuneration are commissioned and received directly by the Committee. The Committee reviews all other contracts with remuneration consultants and directly receives the reports of those consultants.

The Remuneration Committee has delegated authority to the Managing Director and CEO for approving remuneration recommendations for employees other than Key Management Personnel, within the parameters of approved Group wide remuneration levels and structures.

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

The Group's remuneration strategy recognises that it needs to attract, reward and retain high calibre, high performing, and team orientated individuals capable of delivering and being incentivised to deliver the Group strategy. The remuneration policy and related employment policies and practices are aligned with this strategy.

The Group operates a performance based remuneration system through which the remuneration of Key Management Personnel is linked to the financial and non-financial performance of the Group, including its share price.

DIRECTORS' REPORT**Remuneration report (Audited) - Continued**

Under the remuneration system the amount of at risk remuneration relative to an employee's total remuneration increases in line with the seniority of the role of that employee. This reinforces the linkage between personal and Group performance and achievement of the Group's business strategy and creation of shareholder wealth.

(a) Non Executive Directors' fees

Non Executive Directors' fees are reviewed annually by the Board to ensure fees are appropriate to reflect the responsibilities and time commitments required of Non Executive Directors and to ensure that the Group continues to attract and retain Non Executive Directors of a high calibre. The Board seeks the advice of, and is guided by, specialist independent remuneration consultants in this process. Currently Non Executive Directors' fees are targeted between the median and the 75th percentile of comparatively sized companies.

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

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

The total amount that can be paid to all Non Executive Directors is set by shareholders. This is currently \$1,200,000 per annum in aggregate, approved by shareholders at the Annual General Meeting in November 2012. Within that amount, the basis and level of fees paid to Non Executive Directors is set by the Board, and reported to shareholders each year, as detailed in Section 5 of this report.

Directors have resolved that individual Director fees payable for the 2014 financial year will not increase and will be frozen at 2013 financial year levels.

(b) Executive Remuneration

The reward structures for the Group's executives are strongly aligned with shareholders' interests by:

- recognising the contribution of each senior executive to the achievement of the Group's strategy and business objectives;
- rewarding high individual performance;
- being market competitive to attract and retain high calibre individuals; and
- ensuring that equity based remuneration through the long term incentive plan is based on a number of outperformance measures over a three year period.

To achieve these objectives, remuneration for executives is comprised of fixed remuneration and variable or at risk remuneration. The at risk component is comprised of separate short term and long term incentives in which the former are linked to specific personal and corporate or business unit objectives and the latter are linked to medium term strategic corporate objectives. Both provide a direct connection between achievement of targets which drive Group performance and shareholder wealth, with personal remuneration. The mix of fixed and at risk remuneration varies according to the role of each executive, with the highest level of at risk remuneration applied to those roles that have the greatest potential to influence and deliver Group outcomes and drive shareholder wealth.

DIRECTORS' REPORT

Remuneration report (Audited) - Continued

The mix of fixed and at risk remuneration for executives is as follows:

Seniority	Fixed remuneration	STI ⁽¹⁾	LTI ⁽²⁾	Total remuneration
Level 6 (CEO)	40%	20%	40%	100%
Level 5 (Exec GM)	50%	20%	30%	100%
Level 4 (GM)	57%	17%	26%	100%

- (1) The STI value shown is at "target" performance. Target is the mid-point in a range of 0-200% for the rated performance of each individual. Less than target performance will result in less than the target allocation, potentially down to zero, and significant outperformance can theoretically lead to two times the target allocation.
- (2) The LTI allocation is fixed at grant, but the proportion of the grant that vests, if any, is subject to performance measurement under the relevant LTI plan. See details below.

Fixed remuneration for each executive role is reflected against the 75th percentile of prevailing comparable market rates, to ensure that the Group is able to attract and retain a talented and capable workforce appropriate to meet its current and anticipated needs.

For executives, fixed remuneration = base salary + superannuation + benefits.

(i) Fixed Remuneration - Base salary

The base salary for each executive is influenced by the nature and responsibilities of the role, the knowledge, skills and experience required for the position, and the Group's need to compete in the market place to attract and retain the right person for the role.

Each senior executive undergoes an annual performance appraisal as part of the Group's work performance system, in which individual and Group performance is assessed in detail against pre-determined measures. The performance appraisal for each senior executive is assessed by the Managing Director and CEO and reported to the Remuneration Committee and later, the Board for review, including recommended remuneration outcomes that flow from that appraisal. The performance appraisal for the Managing Director and CEO is undertaken by the Chairman, reported to the Remuneration Committee and later, the Board, for review.

(ii) Fixed Remuneration - Superannuation

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

(iii) Fixed Remuneration - Benefits

Executives may receive benefits, including car parking and payment for certain professional memberships.

DIRECTORS' REPORT**Remuneration report (Audited) - Continued***(iv) Variable Remuneration - Short term incentives (STI)*

The STI is an annual "at risk" component of remuneration for executives. It is payable based on performance against key performance indicators (KPIs) set at the beginning of the financial year. STIs are structured to remunerate senior executives for achieving annual Group targets as well as their own individual performance targets designed to favourably impact the business, which are weighted on an equal (50:50) basis at target. Group and individual targets are established by reference to the Group Strategy (refer Section 1). The net amount of any STI after allowing for applicable taxation, is payable in cash.

For each KPI there are defined "threshold", "target" and "stretch" measures which are capable of objective assessment.

Threshold performance typically requires achievement of the full year budget for quantifiable measures such as safety, profitability, cash generation, as well as the achievement of criteria set as near term goals linked to the annual strategy review.

Target performance represents challenging but achievable levels of performance beyond achievement of budget measures. For example, the 2013 financial year STI target for net profit after tax from Australian Operations was set at 10% above the corresponding budget amount. 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 Group.

The Remuneration Committee is responsible for recommending to the Board executive STIs and then later assessing the extent to which the Group STI measures and the individual 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.

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

LTIs are structured to reward executives for the long term performance of the Group relative to its peers and, commencing with the 2011 financial year, were granted in the form of Performance Rights. Prior to the 2011 financial year, LTIs were granted in the form of unlisted employee options.

In considering the LTI awards for the 2013 financial year, the Board considered the trend towards deferring a portion of the award. Unlike other industries where matching revenues and expenses may have long lead times, the gold industry is such that gold produced is sold at arm's length within a matter of days from production. Revenue and expenses are then recorded. The industry characteristics supporting a look back testing of prior year performance awards do not carry the same weight in our industry.

DIRECTORS' REPORT

Remuneration report (Audited) - Continued*Vesting conditions*

The vesting of performance rights granted in respect of the 2013 financial year ("FY13 Performance Rights") is subject to continuing employment as at the vesting date of 30 June 2015, and satisfying performance conditions measured over a three year vesting period ending 30 June 2015 relating to:

- Relative Total Shareholder Returns;
- Net growth in Ore Reserves, as a proxy for increasing mine life; and
- Return on capital employed in excess of the weighted average cost of capital, as a measure of capital efficiency and generation of shareholder value.

Relative Total Shareholder Returns

The Relative Total Shareholder Return (Relative TSR) is measured against a defined peer group of companies which the Board considers compete with the Group for the same investment capital, both in Australia and overseas, and which by the nature of their business are influenced by commodity prices and other external factors similar to those that impact on the TSR performance of the Group.

The LTI measurement methodology for Total Shareholder Returns for comparator companies is as follows:

- a. The TSR performance is calculated for each of the comparator companies that continue to be listed on ASX for the duration of the vesting period ("continuing company"); and
- b. The TSR performance of a comparator company that ceases to be listed on the ASX during the vesting period as a consequence of a takeover or merger ("exiting company") is measured:
 - i. up to the date of that Company ceasing to be listed on ASX adjusted pro rata¹ for the remainder of the vesting period; plus
 - ii. the pro-rata arithmetic average TSR of the continuing companies (excluding St Barbara) for the remainder of the vesting period.
- c. The TSR performance of a comparator company that ceased to be listed on the ASX during the vesting period (for any reason other than as a consequence of a takeover or merger) is measured as the TSR percentage change divided by the relevant vesting period.

Example 1: Company A ceases to exist at end of year 2 on account of a takeover with 90% TSR and for year 3 the arithmetic average of the continuing companies is 30%, the deemed TSR for Company A is $(2/3 \times 90\%) + (1/3 \times 30\%) = 70\%$.

Example 2: Company A fails as a company at the end of year 1 and ceases to be listed (whatever the actual TSR) the deemed TSR for Company A is -33% (being -100% divided by 3 years).

^[1] "Pro rata" means the TSR of the exiting company, multiplied by the number of days from the first day of the LTI measurement period until the date on which the company ceases to be listed on the ASX, divided by the total number of days in the vesting period.

The peer group for the FY13 Performance Rights comprised the following ASX listed, mid tier gold companies:

DIRECTORS' REPORT

Remuneration report (Audited) - Continued

Company

CGA Mining Limited	OceanaGold Corporation
Evolution Mining Limited	Ramelius Resources Limited
Focus Minerals Limited	Regis Resources Limited
Kingsgate Consolidated Limited	Saracen Mineral Holdings Limited
Kingsrose Mining Limited	Silver Lake Resources Limited
Medusa Mining Limited	Tanami Gold NL
Northern Star Resources Limited	

TSR measures the growth for a financial year in the price of shares plus cash distributions notionally reinvested in shares. Company and comparator TSR performances are measured using the 10 day VWAP calculation up to, and including, the last business day of the financial period immediately preceding the period that the performance rights relate to, and in determining the closing TSR performances at the end of the three year period. Relative TSR performance is calculated at a single point in time and is not subject to re-testing. To satisfy this measure, the Company's TSR must be equal to or greater than the median TSR performance of a comparator group (that is, the Relative TSR).

The proportion of the FY13 Performance Rights that vest will be influenced by the Company's TSR relative to the comparator group over the three year vesting period ending on 30 June 2015 as outlined below:

Relative TSR Performance	% Contribution to Rights 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%

DIRECTORS' REPORT

Remuneration report (Audited) - Continued*Increase in Ore Reserves*

The proportion of the FY13 Performance Rights that vest will be influenced by the Company's increase in Ore Reserves net of production over the three year vesting period ending on 30 June 2015 as outlined below:

Increase in Ore Reserves (net of production)	% Contribution to Rights to Vest
Negative growth	0%
Depletion replaced	50%
20% increase	100%

Return on Capital Employed (ROCE)

The proportion of the FY 13 Performance Rights that vest will be influenced by the ROCE achieved by the Company over the three year vesting period ending on 30 June 2015 as outlined below:

Return on Capital Employed (ROCE)	% Contribution to Rights to Vest
Less than or equal to the average annual weighted average cost of capital (WACC) over the three year vesting period ending on 30 June 2015	0%
WACC (calculated as above) + 5%	50%
WACC (calculated as above) + 10%	100%

Example Calculation of Rights to Vest

Assuming the following measures over the three year vesting period ending 30 June 2015:

- Relative TSR: 70%
- Increase in Ore Reserves (net of production) 10%
- ROCE WACC + 6%

then the following proportion of performance rights will vest:

(a) **Relative TSR**

Actual score: 70th percentile

Calculation: 50% (for achieving the 50th percentile)

+ ((70% - 50%) ÷ (75% - 50%)) x (100% - 50%)

= 90%

DIRECTORS' REPORT

Remuneration report (Audited) - Continued

(b) **Ore Reserves**

Actual increase in Ore Reserves net of production: 10%

Calculation: 50% (for achieving replacement of production)
 + $(10\% \div 20\%) \times (100\% - 50\%)$
 = 75%

(c) **ROCE**

Actual ROCE: WACC + 6%

Calculation: 50% (for achieving the 50th percentile)
 + $((6\% - 5\%) \div (10\% - 5\%)) \times (100\% - 50\%)$
 = 60%

(d) **Combined score**

$(90\% + 75\% + 60\%) / 3 = 75\%$

Using the example of an executive being issued with 100,000 performance rights based on the above calculations, hypothetically 75% would vest, which equals $75\% \times 100,000 = 75,000$.

Expiry and other conditions

All performance rights expire on the earlier of their expiry date, immediately upon the effective resignation date 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. On vesting each performance right is convertible into one ordinary share.

Key Features of FY13 Performance Rights at a glance

- Vesting conditions: various performance conditions set out above, relating to:
 - total shareholder return
 - growth in ore reserves
 - return on capital employed
- Other conditions: including continuing employment, set out above
- Issue price: 10 day VWAP at start, 30 June 2012, \$2.09
- Vesting date: 30 June 2015

The assessed fair value at the grant date of performance rights is allocated equally over the period from grant date to vesting date. Fair values at grant date are based on the prevailing market price on the date the performance right is granted.

A Monte Carlo simulation is performed to determine the probability of the market conditions associated with the performance rights being met. The probability estimated by the Monte Carlo simulation is then applied to the fair value. For performance rights issued during the year ended 30 June 2013 (FY13 Performance Rights), taking into account the impact of the market condition (as discussed above), the estimated fair value was, for accounting purposes, \$1,442,000.

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

DIRECTORS' REPORT

Remuneration report (Audited) - Continued

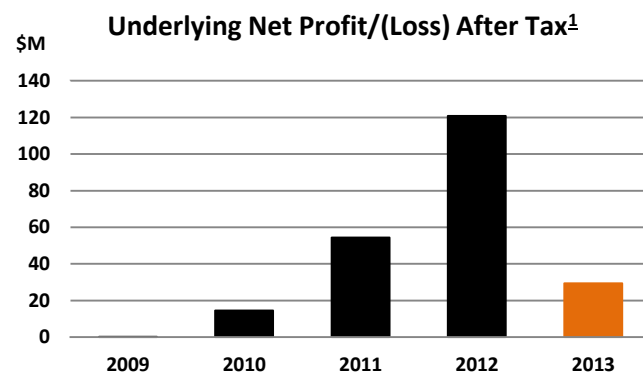
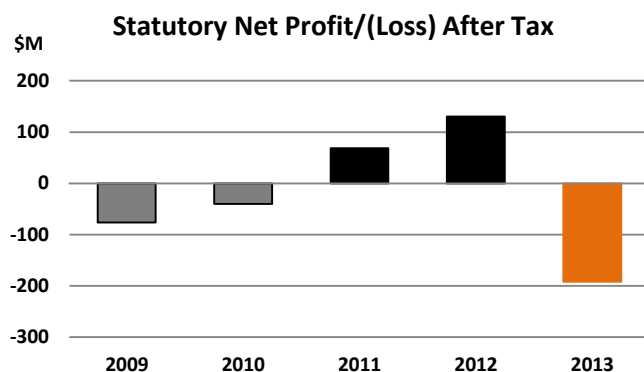
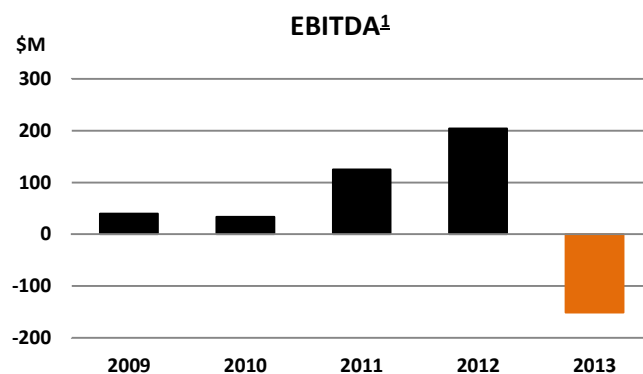
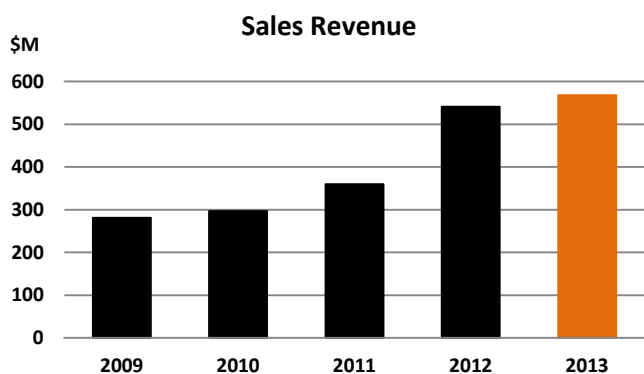
Illustrative example of performance rights calculation

Executive Total Fixed Remuneration (TFR)	\$400,000
LTI award value (60% of TFR)	\$240,000
Performance rights issue price (10 day VWAP)	\$2.09 each
Performance rights to be granted ($\$240,000 \div \2.09)	114,833

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.

Earnings	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000
Sales revenue	281,129	296,760	359,575	541,189	568,443
EBITDA ¹	39,701	33,793	125,538	204,034	(150,628)
Statutory net profit/(loss) after tax	(76,344)	(40,188)	68,629	130,230	(191,854)
Underlying net profit/(loss) after tax ¹	209	14,547	54,431	120,920	29,285



¹ Underlying net profit after tax is statutory net profit after tax less significant items. EBITDA is earnings before interest revenue, finance costs, depreciation and amortisation and income tax expense, and includes revenues and expenses associated with discontinued operations. These are non-IFRS financial measures which have not been subject to review or audit by the Group's external auditors. These measures are presented to enable understanding of the underlying performance of the Group by users.

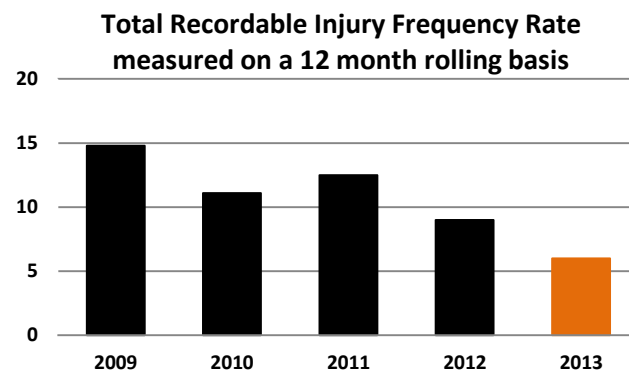
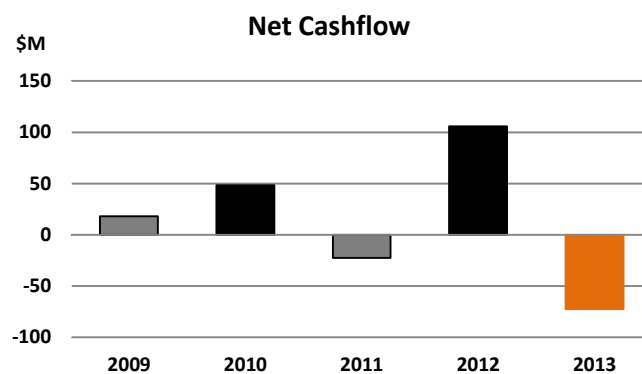
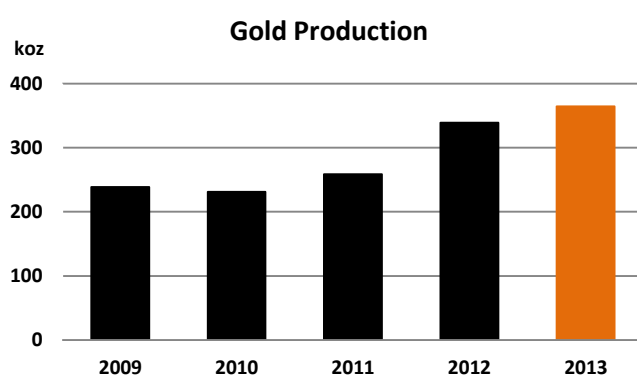
DIRECTORS' REPORT

Remuneration report (Audited) - Continued

The table below provides the share price performance of the Company's shares in the 2013 financial year and the previous four financial years.

Share price history	2009	2010	2011	2012	2013
Period end share price (\$ per share)	1.38	2.10	1.96	1.77	0.45
Average share price for the year (\$ per share)	1.74	1.68	2.16	2.12	1.35

During the 2013 financial year, the Company's daily closing share price ranged between \$0.40 to \$2.37 per share (2012: \$1.77 to \$2.52 per share).



The Company's primary measure of safety performance is the rolling 12-month average of the Total Recordable Injury Frequency Rate. As it is difficult to ascertain comparable industry data for TRIFR, St Barbara's corresponding Lost Time Injury Frequency Rate (LTIFR) for the year to 30 June 2013 was 1.2. This compares very favourably with published mining industry LTIFR information of 4.7 (Safe Work Australia, LTIFR for the Mining Industry, 2010-2011 preliminary information, which excludes LTI less than one working week).

The Board has regard to the overall performance of the Company over a number of years in assessing and ensuring proper alignment of the "at risk" remuneration framework to deliver fair and proper outcomes consistent with the Company's performance.

5. Remuneration paid

Details of the remuneration of Directors and the Key Management Personnel of the Company during the year ended 30 June 2013 are set out in the following tables.

DIRECTORS' REPORT

Remuneration Report (Audited) - Continued

2013	Short-term benefits				Post-employment benefits	Long-term benefits					
Name	Cash salary & fees \$	STI payment \$	Non-monetary benefits ⁽⁵⁾ \$	Other \$	Super-annuation \$	Long Service Leave ⁽²⁾ \$	Share-based payments ⁽³⁾ \$	Termination payments \$	Total \$	Proportion of total performance related	Value of share based payments as % of total
<i>Non Executive Directors</i>											
S J C Wise (Chairman)	231,530	-	16,104 ⁽⁴⁾	-	16,470	-	-	-	264,104	-	-
D W Bailey	115,596	-	-	-	10,404	-	-	-	126,000	-	-
P C Lockyer	115,596	-	-	-	10,404	-	-	-	126,000	-	-
R K Rae	115,596	-	-	-	10,404	-	-	-	126,000	-	-
E A Donaghey	107,339	-	-	-	9,661	-	-	-	117,000	-	-
Total Non Executive Directors	685,657	-	16,104	-	57,343	-	-	-	759,104		
<i>Executive Director</i>											
T J Lehany	899,330	341,719	6,240	-	16,470	44,238	273,040	-	1,581,037	21.6%	17.3%
<i>Other key management personnel</i>											
G Campbell-Cowan	469,930	207,254	3,120	9,000	16,470	20,950	51,568	-	778,292	26.6%	6.6%
A Croll	534,730	143,308	3,343	-	16,470	4,379	56,747	-	758,977	18.9%	7.5%
R Kennedy	369,330	136,431	3,120	-	16,470	11,283	41,398	-	578,032	23.6%	7.2%
K Romeyn ⁽¹⁾	286,275	88,831	66,488	-	13,725	25,897	24,241	-	505,457	17.6%	4.8%
P Uttley	396,230	128,162	3,120	-	16,470	45,201	44,286	-	633,469	20.2%	7.0%
Total Senior Executives	2,955,825	1,045,705	85,431	9,000	96,075	151,948	491,280	-	4,835,264		

(1) Katie-Jeyn Romeyn was promoted to EGM Human Resources in September 2012.

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

(3) The value of performance rights disclosed as remuneration is the portion of the fair value of the performance rights recognised in the reporting period.

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

(5) For the Key Management Personnel, non monetary benefits comprise car parking, professional memberships and relocation expenses.

DIRECTORS' REPORT

Remuneration Report (Audited) - Continued

2012	Short-term benefits				Post-employment benefits	Long-term benefits					
Name	Cash salary & fees \$	STI payment \$	Non-monetary benefits ⁽⁶⁾ \$	Other \$	Super-annuation \$	Long Service Leave ⁽³⁾ \$	Share-based payments ⁽⁴⁾ \$	Termination payments \$	Total \$	Proportion of total performance related	Value of share based payments as % of total
<i>Non Executive Directors</i>											
S J C Wise (Chairman)	219,225	-	15,577 ⁽⁵⁾	-	15,775	-	-	-	250,577	-	-
D W Bailey	107,798	-	-	-	9,702	-	-	-	117,500	-	-
P C Lockyer	107,798	-	-	-	9,702	-	-	-	117,500	-	-
R K Rae	107,798	-	-	-	9,702	-	-	-	117,500	-	-
E A Donaghey	100,000	-	-	-	9,000	-	-	-	109,000	-	-
Total Non Executive Directors	642,619	-	15,577	-	53,881	-	-	-	712,077		
<i>Executive Director</i>											
T J Lehany	832,225	675,220	5,810	-	15,775	72,407	639,020	-	2,240,457	30.1%	28.5%
<i>Other key management personnel</i>											
G Campbell-Cowan	434,625	297,151	2,905	-	15,775	20,328	177,468	-	948,252	31.3%	18.7%
A Croll ⁽¹⁾	224,680	128,503	549	50,000 ⁽⁷⁾	6,220	2,612	36,233	-	448,797	28.6%	8.1%
D Rose ⁽²⁾	264,965	85,763	2,572	-	9,202	-	-	330,716	693,218	12.4%	-
R Kennedy	348,225	236,009	2,905	-	15,775	7,957	153,966	-	764,837	30.9%	20.1%
P Uttley	373,625	239,189	2,905	-	15,775	912	155,855	-	788,261	30.3%	19.8%
Total Senior Executives	2,478,345	1,661,835	17,646	50,000	78,522	104,216	1,162,542	330,716	5,883,822		

(1) A Croll commenced employment as Chief Operating Officer on 16 January 2012.

(2) D Rose resigned with effect on 31 January 2012.

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

(4) The value of options/performance rights disclosed as remuneration is the portion of the fair value of the options/performance rights 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.

(7) Represents a sign-on payment.

DIRECTORS' REPORT

Remuneration Report (Audited) - Continued

(a) Non Executive Directors Fees

Non Executive Director fees for the 2013 financial year were determined, both as to their composition (for base fees and committee work) and overall level, based on advice from McDonald and Company.

They comprised:

- Director fees of \$100,000;
- an allowance for chairing a Board Committee of \$17,500; and
- a fee for serving as a member of a Board Committee of \$8,500.

The Chairman's fee for the 2013 financial year was set at \$248,000 (inclusive of all Board Committee commitments), as well as benefits in the form of a car park, mobile telephone allowance and other administrative benefits.

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

*(b) Executive Key Management Personnel remuneration**(i) Fixed Remuneration - Base salary*

In considering remuneration for Executive Key Management Personnel for the 2013 financial year, the Remuneration Committee considered reports from McDonald and Company, as well as industry trend data and other relevant remuneration information.

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

The Company STI target measures for the 2013 financial year were adjusted following the acquisition of the Pacific Operations during the year and comprised:

STI Target	Result
(a) Improve by 27% the safety performance of the Australian Operations for the 2013 financial year (measured by Total Recordable Injury Frequency Rate)	Achieved
(b) Exceed by 10% the budgeted ⁽¹⁾ underlying net profit after tax for the Australian Operations for the 2013 financial year	Achieved
(c) Exceed by 5% the budgeted gold production for the Pacific Operations for the six months to 30 June 2013	Not achieved
(d) Discretionary factor determined by the Board designed to take into account unexpected events and achievements during the year	No discretionary factor applied

(1) Normalised for movements in the gold price relative to gold price assumptions in the budget.

The individual performance measures varied according to the individual executive's responsibilities, and for the 2013 financial year reflected a range of achievements aligned with the Company strategy, including the integration of the Pacific Operations. These included measures relating to improving safety, specific integration activities, increasing production volumes and lowering production costs,

DIRECTORS' REPORT

Remuneration Report (Audited) - Continued

achieving exploration discoveries and implementing business improvement systems. There was also provision for a discretionary factor 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, Key Management Personnel during the year.

2013	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	457,900	915,800	341,719	75%	37%	63%
G Campbell-Cowan	194,560	389,120	207,254	100%	53%	47%
A Croll	220,480	440,960	143,308	65%	32%	68%
R Kennedy	154,212	308,424	136,431	88%	44%	56%
K Romeyn ⁽²⁾	120,000	240,000	88,831	74%	37%	63%
P Uttley	165,080	330,160	128,162	78%	39%	61%

(1) Inclusive of STI "Target"

(2) Katie-Jeyn Romeyn was promoted to EGM Human Resources in September 2012.

Amounts shown as "Actual STI" represent the amounts accrued in relation to the 2013 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 2013 financial year.

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

None of the remaining LTI options granted in respect of the FY10 year vested as at 30 June 2013, as they did not meet the Relative Total Shareholder Return criteria. As a result, all options on issue have now lapsed.

(A) Analysis of options granted as compensation

2013	Options granted			Value yet to vest			
	Number	Date	% vested in year	% forfeited in year	Financial year options vest	Minimum (A) \$	Maximum (B) \$
T J Lehany	976,220	19 Nov 2009	-	100	30 Jun 2013	-	-
G Campbell-Cowan	290,670	23 Sep 2009	-	100	30 Jun 2013	-	-
P Uttley	256,258	23 Sep 2009	-	100	30 Jun 2013	-	-
R Kennedy	256,258	23 Sep 2009	-	100	30 Jun 2013	-	-

A All options have lapsed as the vesting service conditions, which are continuing service conditions and relative Total Shareholder Returns over a three year period, were not satisfied.

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

During the reporting period, no new options were issued and no options vested. The following options in respect of the FY10 year did not vest as at 30 June 2013 and are no longer exercisable:

T J Lehany	976,220
G Campbell-Cowan	290,670
R Kennedy	256,258
P Uttley	256,258

DIRECTORS' REPORT

Remuneration Report (Audited) - Continued

(C) Performance Rights issued in the 2013 fiscal year.*Performance Rights Plan*

All performance rights were granted under the previously approved St Barbara Limited Performance Rights Plan. Performance rights issued to Mr Lehany, Managing Director & CEO, were also approved by shareholders at the 2012 Annual General Meeting.

Performance Rights granted

Details on performance rights over ordinary shares in the Company that were granted as remuneration to each senior executive and details of performance rights that vested in the 2013 financial year are as follows:

2013	Number of performance rights granted during 2013	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 FY2013
T J Lehany	438,182	-	19 Dec 2012	30 Jun 2015	1.58	-
G Campbell-Cowan	139,636	-	19 Dec 2012	30 Jun 2015	1.58	-
A Croll	158,239	-	19 Dec 2012	30 Jun 2015	1.58	-
R Kennedy	110,756	-	19 Dec 2012	30 Jun 2015	1.58	-
K Romeyn	103,349	-	19 Dec 2012	30 Jun 2015	1.58	-
P Uttley	118,478	-	19 Dec 2012	30 Jun 2015	1.58	-

(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*.

6. Summaries of service agreements for Executive Key Management Personnel

Remuneration and other terms of employment for the Managing Director and CEO and the Key Management Personnel 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 Performance Rights Plans. Other major provisions of the agreements relating to remuneration are set out below.

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

All service agreements with Key Management Personnel, including with the Managing Director and CEO comply with the provisions of Part 2 D.2, Division 2 of the Corporations Act.

T J Lehany – Managing Director and CEO

1. Term of agreement – permanent employee, commencement 2 March 2009.
2. 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 (at the discretion of the Board), any entitlement to a 'stretch

DIRECTORS' REPORT**Remuneration Report (Audited) - Continued**

performance' payment plus an amount equivalent to six months of notional 'target performance' payment, or

- b) Where notice of immediate termination is given, 12 months base salary and superannuation, plus (at the discretion of the Board) an amount equivalent to 12 months of a notional 'target performance' payment.

The other 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 2013.

DIRECTORS' REPORT**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.

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. Within the Pacific Operations, the Company ensures compliance with the relevant National and Provincial legislation for each sovereignty and where appropriate standards or legislation are not available, St Barbara reverts to the standard of environmental performance as stipulated in the Western Australian legislation.

Subsequent to the sale of the Southern Cross Operations assets, the rehabilitation liability of the Company has been substantially reduced in the year ended 30 June 2013 and St Barbara is committed to the rehabilitation and closure of the remaining Western Australian operations. A range of new environmental management responsibilities have been acquired with the purchase of the Allied Gold assets in Gold Ridge and Simberi, and the implementation of a new company wide Environmental Management System (EMS) is underway to facilitate the effective and responsible management of environmental issues to the same high standard across all sites.

Overall, the number of externally reportable environmental incidents during the year ended 30 June 2013 was much lower compared with the previous year for Australian Operations. There was one non-compliance externally reported for the Southern Cross operations during the year. At Leonora, there were five non-compliances externally reported. Ongoing training, education and the implementation of new environmental management practices at the Leonora and Southern Cross Operations (prior to the sale of assets) have resulted in further reductions in the number of environmental incidents, and increases in the internal compliance rates for audits and inspections.

Since the acquisition of the Simberi and Gold Ridge operations, St Barbara has further encouraged and supported the reporting, tracking and management of the environmental incidents occurring at these

DIRECTORS' REPORT

operations. Further progress on this will be facilitated through the implementation of the Environmental Management System at each site. One formal notice was received from the Department of Environment and Conservation regarding a breach of Licence Condition W16 for the TSF3 embankment lift at Gwalia for the release of seepage water into Lake Raeside on two occasions. None of the reported incidents from all sites resulted in impacts on the environment.

Non-audit services

During the year the Company employed the auditor on assignments additional to their statutory audit duties. The Company engaged KPMG to perform procedures in relation to certain financial information set out in the preliminary and final offering circular in connection with the offer of debt securities by St Barbara. Details of the amounts paid or payable to the auditor, KPMG, for non-audit services provided during the 2013 financial year are set out in Note 27 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 27 to the financial statements, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the non-audit services performed in the 2013 financial year 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, giving 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.

Auditor independence

A copy of the Auditor's Independence Declaration required under section 307C of the Corporations Act 2001 is set out on page 46 and forms part of this Director's Report.

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 that on 5 July 2013 the gold put and call options covering future gold production from the King of the Hills mine were closed out for cash proceeds of \$8,500,000.

DIRECTORS' REPORT**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 22nd day of August 2013

A handwritten signature in black ink, appearing to read 'Timothy J Lehany', is positioned above the printed name and title.

Timothy J Lehany
Managing Director and CEO



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 2013 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.

KPMG

Tony Romeo
Partner

Melbourne

22 August 2013

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This financial report covers the St Barbara Group (the Group) consisting of St Barbara Limited and its subsidiaries. The financial report is presented in the Australian dollar currency.

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

St Barbara Limited
Level 10, 432 St Kilda Rd
Melbourne VIC 3004

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 22 August 2013. The Company has the power to amend and reissue the financial report.

FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2013

	Notes	Consolidated	
		2013 \$'000	2012* \$'000
Continuing operations			
Revenue	6	511,840	384,396
Mine operating costs		(318,058)	(152,104)
Gross profit		<u>193,782</u>	<u>232,292</u>
Other revenue	6	4,072	6,779
Other income	7	3,131	922
Exploration expensed		(21,144)	(16,246)
Corporate and support costs		(19,253)	(13,732)
Royalties		(18,561)	(15,525)
Depreciation and amortisation	8	(92,812)	(63,399)
Expenses associated with acquisitions	9	(17,261)	(5,664)
Other expenditure		(6,287)	(6,417)
Impairment losses and asset writedowns	4,9	(309,170)	-
Operating (loss)/profit		<u>(283,503)</u>	<u>119,010</u>
Finance costs	8	(22,892)	(3,754)
Foreign exchange gain		9,122	-
Net realised/unrealised gain/(loss) on derivatives	9	15,703	(5,400)
(Loss)/profit before income tax		<u>(281,570)</u>	<u>109,856</u>
Income tax benefit	10	82,517	20,731
(Loss)/Profit from continuing operations (net of tax)		<u>(199,053)</u>	<u>130,587</u>
Profit/(loss) from discontinued operations (net of tax)	38	7,199	(357)
(Loss)/Profit attributable to equity holders of the company		<u>(191,854)</u>	<u>130,230</u>
Earnings per share for continuing and discontinued operations:			
Basic earnings per share (cents per share)	36	(41.92)	40.04
Diluted earnings per share (cents per share)	36	(41.62)	39.60
Earnings per share for continuing operations:			
Basic earnings per share (cents per share)	36	(43.50)	40.15
Diluted earnings per share (cents per share)	36	(43.18)	39.71

*restated to include comparatives for discontinued operations.

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

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2013

	Notes	Consolidated	
		2013 \$'000	2012* \$'000
(Loss)/Profit for the year		(191,854)	130,230
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Changes in fair value of available for sale financial assets	25(a)	(124)	(96)
Changes in fair value of cash flow hedges taken to reserves	25(a)	11,665	(2,790)
Income tax on other comprehensive income	25(a)	(4,609)	1,484
Foreign currency translation differences - foreign operations	25(a)	(29,614)	-
Items that will not be reclassified to profit and loss		-	-
Other comprehensive (loss) net of tax⁽¹⁾		(22,682)	(1,402)
Total comprehensive (loss)/profit attributable to equity holders of the company		(214,536)	128,828

*restated to include comparatives for discontinued operations.

- (1) Other comprehensive income comprises items of income and expense that are recognised directly in reserves or equity. These items are not recognised in the Income Statement in accordance with the requirements of the relevant accounting standards. Total comprehensive (loss)/ profit 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 FINANCIAL POSITION

As at 30 June 2013

	Notes	Consolidated	
		2013 \$'000	2012 \$'000
Assets			
Current assets			
Cash and cash equivalents	11	117,383	185,242
Trade and other receivables	12	23,158	13,795
Inventories	13	63,995	21,867
Derivative financial assets	22	11,077	87
Available for sale financial assets	15	88	154
Deferred mining costs	14	32,411	23,789
Total current assets		248,112	244,934
Non-current assets			
Property, plant and equipment	17	339,861	103,928
Deferred mining costs	14	1,229	5,917
Mine properties	18	288,936	289,647
Exploration and evaluation	19	15,036	15,474
Mineral rights	18	209,957	-
Deferred tax asset	10	27,231	22,215
Total non-current assets		882,250	437,181
Total assets		1,130,362	682,115
Liabilities			
Current liabilities			
Trade and other payables	20	88,658	55,542
Interest bearing borrowings	21	42,612	3,043
Derivative financial liabilities	22	-	2,830
Provisions	23	16,738	10,824
Total current liabilities		148,008	72,239
Non-current liabilities			
Interest bearing borrowings	21	285,480	1,213
Derivative financial liabilities	22	-	13,547
Provisions	23	72,771	31,283
Deferred tax liabilities	10	876	-
Total non-current liabilities		359,127	46,043
Total liabilities		507,135	118,282
Net Assets		623,227	563,833
Equity			
Contributed equity	24	886,242	613,275
Reserves	25(a)	(25,002)	(465)
Accumulated losses	25(b)	(238,013)	(48,977)
Total equity		623,227	563,833

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

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

Note	Contributed Equity 000's	Share Based Payments Reserve 000's	Gold Cash Flow Hedge Reserve 000's	Investment Fair Value Reserve 000's	Foreign currency translation Reserve 000's	Retained Earnings 000's	Total 000's
Balance at 1 July 2011	615,521	3,108	(2,059)	-	-	(180,223)	436,347
<i>Transactions with owners' of the Company recognised directly in equity:</i>							
Share buy back	(2,246)	-	-	-	-	-	(2,246)
Share-based payments expense	-	1,828	-	-	-	-	1,828
Unlisted options not vested	-	(924)	-	-	-	-	(924)
Unlisted options expired	-	(1,016)	-	-	-	1,016	-
<i>Total comprehensive income for the year</i>							
Profit attributable to equity holders of the Company	-	-	-	-	-	130,230	130,230
Other comprehensive income	-	-	(1,335)	(67)	-	-	(1,402)
Balance at 30 June 2012	613,275	2,996	(3,394)	(67)	-	(48,977)	563,833
Balance at 1 July 2012	613,275	2,996	(3,394)	(67)	-	(48,977)	563,833
<i>Transactions with owners' of the Company recognised directly in equity:</i>							
Equity issues (net of transaction costs)	24	272,967	-	-	-	-	272,967
Share-based payments expense	25(a)	-	963	-	-	-	963
Unlisted options expired	25(a)	-	(2,818)	-	-	2,818	-
<i>Total comprehensive income for the year</i>							
Loss attributable to equity holders of the Company	-	-	-	-	-	(191,854)	(191,854)
Other comprehensive income/loss	-	-	7,021	(89)	(29,614)	-	(22,682)
Balance at 30 June 2013	886,242	1,141	3,627	(156)	(29,614)	(238,013)	623,227

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 2013

	Notes	Consolidated	
		2013 \$'000	2012 * \$'000
Cash Flows From Operating Activities:			
Receipts from customers (inclusive of GST)		584,716	553,847
Payments to suppliers and employees (inclusive of GST)		(489,297)	(317,729)
Payments for exploration and evaluation		(21,144)	(16,246)
Interest received		3,811	5,555
Interest paid		(5,840)	(65)
Finance charges – finance leases		(403)	(278)
Borrowing costs paid		(815)	(521)
Net cash inflow from operating activities	34	71,028	224,563
Cash Flows From Investing Activities:			
Proceeds from sale of property, plant and equipment		13	68
Payments for available for sale financial assets		-	(250)
Payments for property, plant and equipment		(74,465)	(18,966)
Payments for development of mining properties		(60,850)	(80,757)
Exploration and evaluation expenditure - capitalised		-	(4,575)
Proceeds from sale of discontinued operations	38	17,648	-
Payments for business combination	40	(206,623)	-
Net cash outflow from investing activities		(324,277)	(104,480)
Cash Flows From Financing Activities:			
Proceeds from borrowings: finance leases		2,503	-
Payments for share buy backs		-	(2,239)
Share buy back transaction costs		-	(7)
Movement in restricted cash		(11,832)	-
Gold prepayment facility repayments		(24,554)	-
Syndicated debt facility - transaction costs		(7,262)	-
Syndicated debt facility - draw down		150,000	-
Syndicated debt facility – repayment		(150,000)	-
Secured notes drawdown		240,200	-
Secured notes drawdown - transaction costs		(11,961)	-
Movement in unclaimed monies		-	(665)
Principal repayments - finance leases		(4,657)	(1,011)
- equipment financing facility		-	(7,860)
- insurance premium funding		(1,775)	(2,544)
Net cash inflow/(outflow) from financing activities		180,662	(14,326)
Net increase/(decrease) in cash and cash equivalents		(72,587)	105,757
Cash and cash equivalents at the beginning of the year		185,242	79,485
Net movement in foreign exchange rates		4,728	-
Cash and cash equivalents at the end of the year	11	117,383	185,242

**Restated to reflect non-cash financing of assets and operating costs per note 35.*

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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FINANCIAL REPORT

Note 1 Summary of significant accounting policies

St Barbara Limited (the "Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 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 a for-profit entity 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.

The financial statements have been presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

1.1 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 22 August 2013.

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;
- Available for sale assets are measured at fair value;
- Rehabilitation provision is measured at net present value;
- Long service leave provision is measured at net present value; and
- Gold prepayment facility is measured at fair 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.

FINANCIAL REPORT

1.2 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 2013 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. A list of controlled entities is presented in Note 31.

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.

Investments in subsidiaries are accounted for at cost less any impairment charges within the Parent Entity disclosures at Note 26.

Non-controlling interests in the results and equity of the entity that is controlled by the Group is shown separately in the Income Statement, Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity respectively.

(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.

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 32.

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.

FINANCIAL REPORT

1.3 Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred to the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree.

Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced as part of the business combination. Transaction costs that the Group incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net fair value of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's Cash Generating Units (CGU) that are expected to benefit from the synergies of the combination. Refer to Note 4(iv) on Impairment.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement periods or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as of that date.

1.4 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 Executive Leadership Team ("ELT") 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 ELT 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 development and acquisitions of property, plant and equipment.

1.5 Foreign currency translation*(i) Functional and presentation currency*

Both the functional and presentation currency of St Barbara Limited and its Australian controlled entities is Australian dollars (AUD). The functional currency of the Group's foreign operations is US dollars (USD).

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(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.

(iii) Translation of foreign operations

The assets and liabilities of controlled entities incorporated overseas with functional currencies other than Australian dollars are translated into the presentation currency of St Barbara Limited (Australian dollars) at the year-end exchange rate and the income statements are translated at the rates applicable at the transaction date. Exchange differences arising on translation are taken directly to the foreign currency translation reserve in equity. On consolidation, exchange differences arising from the translation of net investments in foreign operations and of the borrowings designated as hedges of the net investment are taken to the foreign currency translation reserve. If the foreign operation is sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the income statement.

1.6 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 as it accrues, using the effective interest method.

(iii) Dividends

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

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(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.

1.7 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. Capitalised costs are deferred until commercial production commences from the relevant area of interest, at which time they are amortised on a unit of production basis.

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 1.11). 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 commercially viable to pursue, accumulated costs in respect of that area are written off in the period the decision is made.

(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.

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(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.

1.8 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

Overburden and other mine waste materials are often removed during the initial development of a mine site in order to access the mineral deposit. This activity is referred to as Deferred Stripping. Capitalisation of development stripping costs ceases and the depreciation of costs commences, at the time that saleable materials begin to be extracted from the mine.

Removal of waste material normally continues throughout the life of a mine. This activity is referred to as production stripping and commences at the time that saleable materials begin to be extracted from the mine.

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.

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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.

1.9 Taxes

(i) *Income tax*

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the income statement 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 profit 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.

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) *Deferred tax*

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; and
- 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.

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Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change.

(iii) Tax Exposure

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(iv) 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.

1.10 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 interest bearing liabilities. 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 asset's useful life, or the lease term if shorter where there is no reasonable certainty that the Group will obtain ownership by the end of 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.

1.11 Impairment of assets

All asset values are reviewed at each reporting date to determine whether there is objective evidence that there have been 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 carrying amount of an

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asset or a cash generating unit exceeds the recoverable amount. Impairment losses are recognised in the income statement. Refer to Note 4 (iv).

1.12 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.

1.13 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.

1.14 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.

1.15 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.

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(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.

1.16 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 22. Movements in the gold cash flow hedge reserve in shareholders' equity are shown in Note 25.

(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 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 gold cash flow hedge 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).

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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'.

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.

(iii) Hedges of Net Investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity in the Foreign Currency Translation Reserve, while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any gains or losses recognised directly in equity is transferred to the income statement.

1.17 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.

1.18 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

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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.

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 1.11).

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.

1.19 Mineral Rights

Mineral rights comprise identifiable exploration and evaluation assets, mineral resources and ore reserves, which are acquired as part of a business combination or a joint venture acquisition, and are recognised at fair value at date of acquisition. Mineral rights are attributable to specific areas of interest and are amortised when commercial production commences on a unit of production basis over the estimated economic reserve of the mine to which the rights relate.

1.20 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 remain unpaid as at reporting date. The amounts are unsecured and are usually paid within 30 days from the end of the month of recognition.

1.21 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost except for the gold prepayment facility which is subsequently measured at fair value as its amortisation profile changes as a result of the embedded derivative. 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.

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.

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1.22 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.

1.23 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 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.

1.24 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 with reference to market yields 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 through the Performance Rights Plan. Information relating to this plan is set out in Note 37.

The fair value of 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

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recognised over the period during which the employees become unconditionally entitled to the options or rights. The amount recognised on issue date is adjusted to reflect the actual number of performance rights 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 of performance rights at grant date is determined using the market price of the Company's shares on the date of grant and taking into account the vesting and performance criteria and probability of market conditions being met using a Monte Carlo Simulation methodology.

Upon expiry of rights, the balance of the share-based payments reserve is either transferred directly to retained earnings, where the expiry is due to market conditions not being met, or through the income statement.

Upon the exercise of rights, the balance of the share-based payments reserve relating to those rights 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.

1.25 Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and performance rights 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.

1.26 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.

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(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.

1.27 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. Management judgments and estimates in relation to the rehabilitation provision are provided at Note 4(vi). 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. A large proportion of the outflows are expected to occur at the time the respective mines are closed.

1.28 Assets classified as held for sale

Individual non-current assets or disposal groups comprising assets and liabilities are classified as "held for sale" if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. On initial recognition, assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell and are no longer depreciated (or amortised).

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1.29 Government royalties

Royalties under existing regimes are payable on sales revenue, or gold ounces produced and sold, and are therefore recognised as the sale occurs.

1.30 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.

1.31 New accounting standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are available for early adoption for annual reporting periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. Those new standards, amendments to standards and interpretations which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early and is in the process of considering the impact of the changes.

(i) Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (and related AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20)

Clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement. Interpretation 20 applies to annual reporting periods beginning on or after 1 January 2013. The Group does not expect the impact to be material.

(ii) AASB 9 Financial Instruments (December 2009), AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting. AASB 9 (2010 and 2009) are effective for annual reporting periods beginning on or after 1 January 2015.

(iii) AASB 10 Consolidated Financial Statements, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). As a result, the Group may need to change its consolidation conclusion in respect of its investees which may change the current accounting treatment of these. AASB 10 is applicable to annual reporting periods beginning on or after 1 January 2013.

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(iv) AASB 11 Joint Arrangements

Under AASB 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting. The Group will also need to assess the rights the parties have with respect to the assets and liabilities in the arrangement. The Group may need to reclassify its joint arrangements, which may lead to changes in current accounting for these interests. AASB 11 is applicable to annual reporting periods beginning on or after 1 January 2013.

(v) AASB 12 Disclosure of Interests in Other Entities, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, and associates and unconsolidated structure entities. The Group will need to assess the disclosure requirements in comparison with existing disclosures. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests. AASB 12 is applicable to annual reporting periods beginning on or after 1 January 2013.

(vi) AASB 13 Fair Value Measurement and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

AASB 13 replaces the guidance on fair value measurement in existing AASB accounting literature with a single standard. AASB 13 applies when another AASB requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). As a result, the Group may need to consider its fair value methodologies. AASB 13 is applicable to annual reporting periods beginning on or after 1 January 2013.

(vii) AASB 119 Employee Benefits (2011), AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011)

AASB 119 (2011) looks at the classification of employee benefits: the amendments define short term employee benefits as employee benefits that are "expected to be settled wholly before twelve months after the end of annual reporting period" in place of currently used "due to be settled". The Group will need to consider the impact of this change to the current disclosure of employee benefits. AASB 119 is applicable to annual reporting periods beginning on or after 1 January 2013.

Note 2 New Standards adopted

The Company has adopted the following new and/or revised Standards, Amendments and Interpretations from 1 July 2012:

AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income
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Adoption of the above Standards did not have any effect on the financial position or performance of the Group.

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Note 3 Financial risk management

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to withstand significant changes in cash flow at risk scenarios and still meet all financial commitments as and when they fall due. The Group continually monitors and tests its forecast financial position and has a detailed planning process that forms the basis of all cash flow forecasting.

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 normal business activities expose it to a variety of financial risk, being: market risk (especially gold price and foreign exchange risk), credit risk and liquidity risk. 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 Group Treasury function in accordance with Board approved directives which underpin Group Treasury policies and processes. The Group's forecast financial risk position with respect to key financial objectives and compliance with Treasury policy are regularly reported to the Board.

(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 directives and policies approved by the Board.

(i) Commodity price risk

The Group's revenue is exposed to spot gold price risk.

The Group has managed commodity price risk from time to time by using a combination of gold put options and gold call options to create zero-cost option collar structures as described in (b) below.

(ii) Currency risk

The Group is exposed to currency risk on gold sales and transactions where the AUD spot rate is quoted as a function of USD, Papua New Guinea Kina (PGK) and Solomon Island Dollars (SBD) at the prevailing exchange rate. The USD currency exposure in relation to gold sales is not hedged and the USD exposure on transactions is managed by selling gold in USD therefore creating a natural hedge. Currently the PGK and SBD exposure is not hedged.

(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 specify a mix of fixed and floating rate borrowings and 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. As at 30 June 2013, interest rates on interest bearing liabilities were all fixed as set out in note 16 (b).

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(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 price of gold, in accordance with the Group's financial risk management policies.

(i) King of the Hills

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 2013, 39,252 ounces of call options and 5,417 ounces of put options were exercised (2012: Call options – 30,000 exercised; Put options – 4,000 ounces exercised). During financial year 2013, 30,000 ounces of call options and 63,835 ounces of put options expired.

(ii) Southern Cross

In September 2012, the Company entered into a zero cost collar hedging facility for 100,000 ounces of gold over a twelve month period to manage Australian dollar gold price risk associated with the estimated production from the Southern Cross mine. The facility was fully drawn down by purchasing put options and selling call options over 100,000 ounces of gold (collar structure) with the following strikes:

- Bought put options at A\$1,550/oz
- Sold call options at A\$1,610/oz

During financial year 2013, 14,000 ounces of call options were exercised (2012: 48,000), and 20,000 ounces of put options and 6,000 ounces of call options expired. As at 30 June 2013, there were no option contracts still to mature in relation to Southern Cross.

The maturity profile of the put and call option contracts remaining as at 30 June 2013 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
<i>King of the Hills</i>					
Put: A\$1,425/oz	110,748	37,998	38,001	34,749	-
Call: A\$1,615/oz	110,748	37,998	38,001	34,749	-

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At the date of entering into each of the collar structures, the net fair value of the put and call options was zero dollars. At 30 June 2013, the fair value of all remaining put and call option contracts was \$11,077,128 (June 2012: negative \$16,290,000). \$4,261,000 (June 2012: \$11,442,000) of this fair value represented an unrealised profit related to time value of the 110,748 ounces outstanding at 30 June 2013 (June 2012: 195,000 ounces). A profit of \$15,703,000 for the year ended 30 June 2013 was recognised in the income statement (2012: loss of \$5,400,000), representing mainly the time value movement. Included in this gain was a net realised gain of \$1,498,000 (2012: gain of \$702,000), which represented the unwinding of the unrealised mark-to-market gain previously recognised for options that were exercised or expired during the year (refer to note 1.16). An unrealised profit of \$13,376,000 relating to the intrinsic value of the options was recognised in the gold cash flow hedge reserve in equity during the year (2012: losses of \$3,054,000), with a realised loss of \$1,711,000 (2012: gain of \$264,000) recognised in the reserve for options that were exercised or expired during the year.

(iii) Cash flow hedge sensitivity

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 gold cash flow hedge reserve net of tax ⁽²⁾	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
+A\$100 change in AUD spot price	(4,771)	2,018	672	(11,532)
-A\$100 change in AUD spot price	7,597	5,060	(3,497)	4,453

(1) Represents the movement in time value (a positive movement represents a gain).

(2) Represents the movement in intrinsic value (a positive movement represents a gain).

(3) The spot gold price as at 30 June 2013 was A\$1,349.

(c) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, with a maximum exposure equal to the carrying amount of the financial assets as recorded in the financial statements. 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.

Credit risks related to receivables

The Group's most significant customer accounts for \$2,235,000 of the trade receivables carrying amount at 30 June 2013 (2012: \$3,599,000), representing receivables owing from gold sales. Settlement of the receivables relating to gold sales occurred on 2 July 2013. 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 2013 were past due.

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Credit risks related to cash deposits and derivatives

Credit risk from balances with banks and financial institutions derivative counterparties is managed by the centralised Group 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 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)).

(d) Currency Risk

The Group is exposed to currency risk on gold sales, purchases and borrowings that are denominated in a currency other than the Company's functional currency of the AUD. The currencies in which transactions primarily are denominated are Australian Dollars (AUD), US Dollars (USD), Papua New Guinea Kina (PGK) and Solomon Island Dollars (SBD).

Currency risk relating to the Group's USD borrowings is hedged against the net investment in the foreign operations. Exchange gains and losses upon subsequent revaluation of the USD denominated borrowings from the historical draw down rate to the reporting period end spot exchange rate are deferred in equity in the Foreign Currency Translation Reserve, and will be released to the income statement if the foreign operation is disposed of. As at 30 June 2013, USD borrowings of \$262,274,000 (2012: nil) were designated as a net investment in foreign operations. Interest on borrowings is denominated in the currency of the borrowing. The Group's USD interest exposure is mitigated through USD cash flows realised through gold sales, providing a natural currency hedge. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group buys and sells foreign currencies at spot rates when necessary.

Exposure to Currency

	USD	PGK	SBD
	\$'000	\$'000	\$'000
Cash and cash equivalents	2,741	1,283	603
Trade Receivables	2,481	1,203	123
Trade payables	(16,774)	(7,753)	(5,960)
Interest bearing liabilities	(327,459)	-	-
Net Exposure	<u>(339,011)</u>	<u>(5,267)</u>	<u>(5,234)</u>

Note: there are no 30 June 2012 comparatives as all balances were in AUD

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Sensitivity Analysis

The following table details the Group's sensitivity to a 10% movement (i.e. increase or decrease) in the Australian dollar against the US dollar at the reporting date, with all other variables held constant. The 10% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding five year period:

	Impact on Profit After Tax	
	Higher/(Lower)	
	2013	2012
	000's	000's
AUD/USD +10%	(25,927)	-
AUD/USD -10%	31,688	-
AUD/PGK +10%	(479)	-
AUD/PGK -10%	585	-
AUD/SBD +10%	(476)	-
AUD/SBD -10%	582	-

Note: No impact on equity as the foreign currency denominated assets and liabilities represent cash, receivables, payables and borrowings. There are no derivatives.

Significant assumptions used in the foreign currency exposure sensitivity analysis above include:

- Reasonably possible movements in foreign exchange rates
- The translation of the net assets in subsidiaries with a functional currency other than the Australian dollar has not been included in the sensitivity analysis as part of the equity movement
- The net exposure at the reporting date is representative of what the Group is expected to be exposed to in the next 12 months.
- The sensitivity analysis only includes the impact on the balance of financial assets and financial liabilities at the reporting date.

(e) Capital management

The Group's total capital is defined as total shareholders' funds plus net debt. The Group aims to maintain an optimal capital structure to reduce the cost of capital and maximise shareholder returns. The Group has a capital management plan that is reviewed by the Board on a regular basis.

Consolidated capital	2013	2012
	\$'000	\$'000
Total shareholders' funds	623,227	563,833
Borrowings	328,092	4,256
Cash and cash equivalents ⁽¹⁾	(117,383)	(4,256)
Total capital	833,936	563,833

(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.

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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 financial institutions as security for bank guarantee facilities totalling \$11,955,000 (2012: \$123,000) at the reporting date.

The Company has a \$20,000,000 performance bond facility with the National Australia Bank Limited (NAB) to provide security for performance obligations incurred in the ordinary course of business, with security given through cash backing 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.

(f) 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.

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, which includes interest obligations over the term of the facilities.

\$'000	Maturity of financial liabilities - 2013					Total contractual cash flows	Carrying amount
	Less than 6 months	6 – 12 months	Between 1 and 5 years	Over 5 years			
Senior Secured Notes ⁽ⁱ⁾	12,413	12,143	370,786	-	395,342	262,274	
Gold Prepayment Facility ⁽ⁱⁱ⁾	21,525	21,525	21,525	-	64,575	53,809	
Finance lease liabilities	3,017	2,625	8,141	-	13,783	12,009	
Trade and other payables	88,658	-	-	-	88,658	88,658	
	125,613	36,293	400,452	-	562,358	416,750	

i. Excluding capitalised transaction costs and discount.

ii. Reflects nominal cash outflows (excludes any derivatives).

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\$'000	Maturity of financial liabilities - 2012					Carrying amount
	Less than 6 months	6 – 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	
Finance lease liabilities	597	549	1,065	-	2,211	2,280
Insurance funding liability	1,409	604	-	-	2,013	1,976
Trade and other payables	55,542	-	-	-	55,542	55,542
Derivative financial liabilities ⁽ⁱ⁾	729	2,101	13,547	-	16,377	16,377
	58,277	3,254	14,612	-	76,143	76,175

(i) 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 2012 will change over time as contracts mature, or with changes in the spot gold price and other option pricing variables.

(g) 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 disclosed in Note 4(viii).

Fair values

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

	2013		2012	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial assets				
- Cash and cash equivalents	117,383	117,824	185,242	187,448
- Restricted cash	11,955	11,955	123	123
- Receivables	7,824	7,824	9,967	9,967
- Available for sale financial assets	88	88	154	154
- Derivative financial asset	11,077	11,077	87	87
	148,327	148,768	195,573	197,779
Financial liabilities				
- Trade and Other Payables	88,658	88,658	55,542	55,542
- Gold Prepayment Facility	53,809	53,809	-	-
- Senior Secured Notes ¹	273,650	253,520	-	-
- Derivative financial liabilities	-	-	16,377	16,377
- Lease liabilities	12,009	12,009	4,256	4,256
	428,126	407,996	76,175	76,175

1. The senior secured note amount excludes \$10,218,757 of capitalised transaction costs and \$1,157,425 discount on notes.

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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 2012 edition of the Australian Code for Reporting of Mineral Resources and Ore Reserves, 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.
- 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.

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iii. 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.

iv. 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 or fair value less costs to sell ("Fair Value"), in accordance with significant accounting policy 1.11. These calculations require the use of estimates, which have been outlined in significant accounting policy 1.11.

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 significant and sustained decline in gold price in the latter part of the 2013 financial year represented an indicator of possible impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). As a result, the Group assessed the recoverable amounts of each of its CGUs, including goodwill. The identified CGUs of the Group are: Leonora (combining the Gwalia and King of the Hills gold mines), Gold Ridge and Simberi gold mines.

Unless otherwise identified, the following discussion of (a) Impairment testing and (b) Sensitivity analysis is applicable to the assessment of the value-in-use and Fair Value of the Group's CGUs, inclusive of those CGUs in which goodwill is recognised.

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(a) Impairments testing*i. Methodology*

Impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount of the Leonora CGU was based on the value-in-use methodology, while the Simberi and Gold Ridge CGUs were assessed using Fair Value less costs to sell ("Fair value"). The costs to sell have been estimated by management based on prevailing market conditions.

Value-in-use and Fair Value is determined as the net present value of the estimated future cash flows. Future cash flows are based on life-of-mine plans using market based commodity price and exchange assumptions for both Australian Dollar (AUD) and United States Dollar (USD) gold price, estimated quantities of ore reserves, operating costs and future capital. When life-of-mine plans do not fully utilise the existing mineral resource for a CGU, and options exist for the future extraction and processing of all or part of those resources, an estimate of the value of unmined resources, in addition to an estimate of value of exploration potential, is included in the determination of Fair Value.

Present values are determined using a risk adjusted discount rate appropriate to the risks inherent in the assets.

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are sourced from the planning process documents, including life-of-mine plans, three year business plans and one year budgets.

Significant judgements and assumptions are required in making estimates of value-in-use and Fair Value. The CGU valuations are subject to variability in key assumptions including, but not limited to: long-term gold prices, currency exchange rates, discount rates, production and operating costs. An adverse change in one or more of the assumptions used to estimate value-in-use and Fair Value could result in a reduction in a CGU's recoverable value.

ii. Key Assumptions

The table below summarises the key assumptions used in the 30 June 2013 reporting date carrying value assessments:

	2014-2018	Long term 2019+
Gold (Real US\$ per ounce)	\$1,210/oz - \$1,216/oz	\$1,200/oz
Gold (Real A\$ per ounce)	\$1,332/oz - \$1,388/oz	\$1,410/oz
AUD:USD exchange rate	0.90 declining to 0.82	0.85
Pre-tax real discount rate (%) – Australia	12.42	12.42
Pre-tax real discount rate (%) – Pacific Operations	13.38	13.38

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Commodity prices and exchange rates

Commodity prices and foreign exchange rates are estimated with reference to external market forecasts and updated at least annually. The rates applied for the first five years of the valuation have regard to observable market data, including spot and forward values. Thereafter the estimate is interpolated to the long term assumption, which is made with reference to market analysis.

Discount rate

In determining the value-in-use and Fair Value of CGUs, the future cash flows are discounted using rates based on the Group's estimated real pre-tax weighted average cost of capital for each functional currency used in the Group, with an additional premium applied having regard to the geographic location of the CGU.

Operating and capital costs

Life-of-mine operating and capital cost assumptions are based on the Group's latest life-of-mine plans. The projections do not include expected cost improvements reflecting the Group's objectives to maximise free cash flow, optimise and reduce activity, apply technology, improve capital and labour productivity.

Unmined resources and exploration values

Unmined resources may not be included in a CGU's particular life-of-mine plan for a number of reasons, including the need to constantly re-assess the economic returns on and timing of specific production options in the current economic environment. In determining the Fair Value of the Simberi and Gold Ridge CGUs, the Group has estimated unmined and exploration resources values based on a risked expected valuation methodology, taking into account a range of factors, including the physical specifications of the ore, probability of conversion, estimated capital and operating costs, and length of mine life.

Unmined resources and exploration values are not included in the value-in-use estimate for the Leonora CGU.

The value of unmined resources and exploration as a percentage of the assessed Fair Value in the current period for each CGU subject to impairment is as follows:

	Simberi	Gold Ridge	Leonora
	%	%	%
Unmined resource	4	15	N/A
Exploration	3	6	N/A

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iii. Impacts

After reflecting the write down of certain assets arising from the Group's revised operating plans, the Group has conducted the carrying value analysis and recognised goodwill and non-current assets impairments giving a total charge of A\$220,913,000 million after tax, as summarised in the table below for Gold Ridge and Simberi. The recoverable amount of Leonora was assessed to exceed its carrying value.

	Simberi \$'000	Gold Ridge \$'000	Total \$'000
Write down of assets			
Inventories	28,546	10,975	39,521
Impairments			
Property, plant and equipment	92,069	54,649	146,718
Mining properties	690	240	930
Deferred mining costs	-	849	849
Mineral rights	75,808	41,339	117,147
Goodwill	2,535	1,470	4,005
Total asset impairment and writedowns	199,648	109,522	309,170
Tax effect			(88,257)
Total asset impairments and write downs after tax			220,913

The Fair Value of the Simberi and Gold Ridge CGUs has been predominantly impacted by the sharp decline in short to medium term gold price assumptions since the acquisition of the Pacific Operations, and to a lesser extent by these operations taking longer and costing more to reach profitable operational performance.

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(b) Sensitivity Analysis

After recognising the asset impairment and write downs in respect of the Simberi and Gold Ridge CGUs, the fair value of these assets is assessed as being equal to their carrying amount as at 30 June 2013.

Any variation in the key assumptions used to determine Fair Value will result in a change of the assessed fair value. If the variation in assumption had a negative impact on Fair Value it could indicate a requirement for additional impairment of non-current assets.

It is estimated that changes in the key assumptions would have the following approximate impact on the Fair Value of each CGU in its functional currency that has been subject to impairment in the 2013 statutory accounts:

	Simberi	Gold Ridge
Decrease in Fair Value resulting from:	\$'000	\$'000
US\$100/oz decrease in gold price	115,936	52,842
0.50% increase in discount rate	13,772	4,058

The sensitivities above assume that the specific assumption moves in isolation, while all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions is usually accompanied with a change in another assumption, which may have an offsetting impact (for example, the recent decline in the USD gold price was accompanied with a decline in the AUD compared to the USD). Action is also usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.

v. Exploration and evaluation expenditure

As set out in Note 1.7 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.

vi. Rehabilitation and mine closure provisions

As set out in Note 1.27, 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 23). The provision

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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 2013, 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 5% based on the risks specific to the liability.

vii. Taxes

At 30 June 2012 the Group recognised \$20,731,000 of previously unbooked tax losses on the basis that it was probable that future taxable profits will be available against which these losses will be generated. Estimates of future taxable profits are based on forecast cash flows from operations. At 30 June 2013 losses not recognised amounted to \$263,772,000 for Solomon Islands, PNG and Australia. These have not been recognised as it is not probable that the existence of future taxable profits will be available against which they can be utilised.

viii. 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.

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 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.

ix. Gold prepayment facility

This financial liability is influenced by the prevailing gold price which constitutes an embedded derivative. Changes in the fair value of embedded derivatives are recognised immediately in the consolidated income statement as part of finance costs. On acquisition of Allied Gold a provision was recognised for the fact that the counterparty to the Gold Prepayment Facility has the right to purchase 30% of the Simberi and Gold Ridge mines production (over and above the commitment to deliver to the repayment of the Facility) for five years, and 25% for the next five years, using a spot gold price selected from the twelve days prior to settlement of the gold sale. This provision was recognised at fair value at acquisition and will be released to the income statement over the life of the contract.

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x. 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 using the assumptions detailed in Note 37.

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 therefore 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.

xi. Purchase Price Allocation

In relation to the acquisition of Allied Gold Plc, the Group allocated the purchase price consideration to the identifiable assets and liabilities acquired. Identified assets and liabilities were measured at fair value at acquisition. The fair value of mineral rights acquired were valued using the multi-period excess earnings methodology ("MEEM") where the mineral interests are represented by the present value of the incremental after-tax cash flows attributable only to the mineral interests, after the deduction of notional charges for contributory assets including property, plant and equipment, working capital and assembled workforce. Key inputs to the valuation of mineral rights was the gold price forecast which was based on the gold forward curve in real terms and consensus long term forecast at acquisition. A real post-tax discount rate of 10.5% was applied.

Note 5 Segment Information

The Group has four operational business units: Leonora Operations, Southern Cross Operations, Gold Ridge Operations and Simberi Operations. The operational business units are managed separately due to their separate geographic regions.

The Leonora Operations comprise two reportable segments: the Gwalia and King of the Hills underground gold mines. The Simberi and Gold Ridge open pit gold mines were added as reportable segments in the current period as a result of the acquisition of Allied Gold Mining Plc from 7 September 2012.

Southern Cross Operations was disposed of during the year and therefore was separately disclosed as a discontinued operation.

The results of all mines are reviewed regularly by the Group's Executive Leadership Team, in particular production, cost per ounce and capital expenditures.

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.

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Note 5 Segment Information (continued)

	Gwalia		King of the Hills		Gold Ridge	Simberi	Total from continuing operations		Southern Cross (discontinued operations)	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Revenue	279,627	292,197	92,529	92,199	70,202	69,482	511,840	384,396	56,603	156,793
Mine operating costs	(129,221)	(110,542)	(48,653)	(41,562)	(74,995)	(65,188)	(318,057)	(152,104)	(57,519)	(116,773)
Gross profit	150,406	181,655	43,876	50,637	(4,793)	4,294	193,783	232,292	(916)	40,020
Royalties ⁽¹⁾	(11,094)	(11,841)	(3,621)	(3,684)	(2,283)	(1,563)	(18,561)	(15,525)	(2,144)	(6,553)
Impairment losses	-	-	-	-	(109,522)	(199,648)	(309,170)	-	-	-
Depreciation and amortisation	(43,496)	(45,200)	(20,609)	(17,168)	(10,722)	(15,166)	(89,993)	(62,368)	(8,190)	(33,824)
Reportable segment profit/(loss) before income tax	95,816	124,614	19,646	29,785	(127,320)	(212,083)	(223,941)	154,399	(11,250)	(357)
Capital expenditure	(46,972)	(54,355)	(20,333)	(28,245)	(14,732)	(47,074)	(129,111)	(82,600)	(427)	(14,185)
Reportable segment - assets ⁽³⁾	380,093	375,238	57,836	50,699	198,746	303,207	939,882	425,937	-	22,877
Reportable segment - non-current assets	365,375	363,726	54,006	50,169	175,136	274,989	869,506	413,895	-	13,052
Reportable segment - liabilities ⁽³⁾	9,407	9,803	8,467	8,363	47,895	53,175	118,944	18,166	-	19,425

1. Royalties include state and government royalties and corporate royalties

2. Geographical information: Gwalia, King of the Hills and Southern Cross operate in Australia. Gold Ridge operates in the Solomon Islands and Simberi operates in Papua New Guinea

3. Represents the reportable segment balances after the asset impairment and write down charge.

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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	
	2013 \$'000	2012 \$'000	2013 %	2012 %
Customer A	114,190	176,794	20.5	32.6
Customer B	106,099	137,243	19.0	25.4
Customer C	137,460	104,529	24.6	19.3
Customer D	74,903	101,607	13.4	18.8
Customer E	71,330	21,016	12.8	3.9

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

	Consolidated	
	2013 \$'000	2012 \$'000
<i>Continuing operations</i>		
Revenues and other income		
Total revenue for reportable segments	511,840	384,396
Other revenue	4,072	6,779
Other income	3,131	-
Consolidated revenue and other income – continuing operations	519,043	391,175

	Consolidated	
	2013 \$'000	2012 \$'000
<i>Continuing operations</i>		
Profit		
Total (loss)/profit for reportable segments	(223,941)	154,399
Other income and revenue	7,203	7,701
Exploration expensed	(21,144)	(16,246)
Unallocated depreciation and amortisation	(2,819)	(1,031)
Finance costs	(22,892)	(3,754)
Net fair value movements on gold options	15,703	(5,400)
Corporate and support costs	(19,253)	(13,732)
Foreign exchange gain	9,122	-
Expenditure associated with acquisitions	(17,261)	(5,664)
Other corporate expenses	(6,288)	(6,417)
Consolidated (loss)/profit before income tax – continuing operations	(281,570)	109,856

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Note 5 Segment Information (continued)

	Consolidated	
	2013 \$'000	2012 \$'000
Assets		
Total assets for reportable segments	939,882	448,814
Cash and cash equivalents	109,446	185,242
Trade and other receivables	21,637	13,795
Available for sale financial assets	88	154
Capitalised borrowing costs	-	7,172
Inventories	3,077	-
Property, plant & equipment	11,437	-
Derivative financial assets	11,077	87
Net deferred tax assets	27,231	22,215
Other assets	6,487	4,636
Consolidated total assets	1,130,362	682,115

	Consolidated	
	2013 \$'000	2012 \$'000
Liabilities		
Total liabilities for reportable segments	118,944	37,591
Trade and other payables	53,203	55,542
Interest bearing liabilities (current)	42,612	3,043
Derivative financial liabilities (current)	-	2,830
Provisions (current)	4,989	4,292
Interest bearing liabilities (non-current)	285,480	1,213
Derivative financial liabilities (non-current)	-	13,547
Provisions (non-current)	1,031	224
Deferred tax liabilities	876	-
Consolidated total liabilities	507,135	118,282

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Note 5 Segment Information (continued)

Year ended 30 June 2013

	Reportable segment totals	Unallocated	Consolidated totals
Other material items – continuing operations			
Depreciation and amortisation	(89,993)	(2,819)	(92,812)
Capital Expenditure	(129,111)	(2,581)	(131,692)

Year ended 30 June 2012

	Reportable segment totals	Unallocated	Consolidated totals
Other material items			
Depreciation and amortisation	(62,368)	(1,031)	(63,399)
Capital Expenditure	(82,600)	(1,804)	(84,404)

Note 6 Revenue

	Consolidated	
	2013	2012
	\$'000	\$'000
<i>Sales revenue-continuing operations</i>		
Sale of gold	508,695	381,618
Sale of silver	3,145	2,778
	511,840	384,396
<i>Other revenue</i>		
Interest revenue	3,811	6,442
Sub-lease rental	261	337
	4,072	6,779
Revenue from continuing operations	515,912	391,175
Revenue from discontinued operations (note 38)	56,603	156,793

Note 7 Other income

	Consolidated	
	2013	2012
	\$'000	\$'000
Profit on sale of assets	14	67
Royalties	338	-
Other income	2,779	855
Other income from continuing operations	3,131	922

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Note 8 Expenses

	Consolidated	
	2013	2012
	\$'000	\$'000
(Loss)/Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	2,952	1,607
Plant and equipment	25,491	8,793
	28,443	10,400
<i>Amortisation</i>		
Mine properties and mine development costs	53,597	51,791
Other mineral assets	9,346	-
Capitalised borrowing costs	682	854
Plant/equipment finance leases	744	354
	64,369	52,999
<i>Total depreciation & amortisation – continuing operations</i>	92,812	63,399
<i>Finance Costs</i>		
Interest paid/payable	13,055	448
Borrowing costs	7,972	138
Finance lease interest	403	278
Fair value movement in gold prepayment facility	(2,083)	-
Provisions: unwinding of discount	3,545	2,890
	22,892	3,754
<i>Employee related expenses</i>		
Wages and salaries	70,119	32,423
Contributions to defined contribution superannuation funds	5,520	2,985
Equity settled share-based payments (note 25(a))	963	904
	76,602	36,312
<i>Rental expense relating to operating leases</i>		
Lease payments	1,781	802

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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 year are detailed below.

	Consolidated	
	2013	2012
	\$'000	\$'000
<u>Continuing operations</u>		
Impairment losses	(309,170)	-
Included within net realised/unrealised gains/(losses) on derivatives		
Net unrealised gain/(loss) on gold cash flow hedges ⁽¹⁾	14,205	(6,102)
Realised gain on gold cash flow hedges ⁽¹⁾	1,498	702
	<u>15,703</u>	<u>(5,400)</u>
Included within borrowing costs ⁽²⁾		
Borrowing costs written off	(5,678)	-
Expenses associated with acquisitions ⁽³⁾		
Integration costs	(7,268)	-
Allied Gold acquisition costs	(7,862)	(5,664)
Redundancy costs	(2,131)	-
	<u>(17,261)</u>	<u>(5,664)</u>
Total significant items for continuing operations – pre tax	(316,406)	(11,064)
Total significant items for continuing operations – post tax	(228,338)	9,667
<u>Discontinued operations</u>		
Profit on sale of Southern Cross operations (refer note 38)	22,109	-
Results from Southern Cross operations ⁽⁴⁾ (refer note 38)	(11,250)	9,862
Southern Cross asset write down		
Included within mine operating costs – deferred operating development	-	(3,865)
Included within depreciation and amortisation	-	(6,354)
	<u>10,859</u>	<u>(357)</u>
Total significant items for discontinued operations – pre tax	10,859	(357)
Total significant items for discontinued operations – post tax	7,199	(357)
Total significant items – pre tax	(305,547)	(11,421)
Total significant items – post tax⁽⁵⁾	(221,139)	9,310

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

At the date of entering into each of the collar structures, the net fair value of the put and call options was zero dollars. At 30 June 2013, the fair value of all remaining put and call option contracts was \$11,077,128 (June 2012: negative \$16,290,000). \$4,261,000 (June 2012: \$11,442,000) of this fair value represents an unrealised profit related to time value of the 110,748 ounces outstanding at 30 June 2013 (June 2012: 195,000 ounces). A profit of \$15,703,000 for the year ended 30 June 2013 was recognised in the income statement (2012: loss of \$5,400,000). Included in this gain was a net realised gain of \$1,498,000 (2012: gain of \$702,000) which represented the unwinding of the unrealised mark-to-market gain previously recognised for options that were exercised or expired during the year (refer to note

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1.16). The unrealised profit of \$13,376,000 relating to the intrinsic value of the options was recognised in the gold cash flow hedge reserve in equity during the year (2012: losses of \$3,054,000), which was net of a realised loss of \$1,711,000 recognised in the reserve for options that were exercised or expired during the year (2012: gain of \$264,000).

(2) Capitalised borrowing cost written off

As a result of the senior secured note refinancing of the syndicated debt facility with NAB/Barclays the borrowing costs associated with the syndicated facility were written off to the income statement. Costs to establish the senior secured note issue have been capitalised.

(3) Expenses associated with acquisitions

In 2012 the Company engaged various consultants to assist with completing due diligence and in making an offer for Allied Gold (refer Note 40 for further details of the Allied Gold transaction). In 2013 the expenses relate to completing the acquisition and integration of Allied Gold. The amount includes advisor, consultant and legal fees associated with the acquisition and integration of Allied Gold's operations. The redundancy costs relate to payments to employees made redundant as a result of integrating Allied Gold.

(4) Results from Southern Cross operations

The result from Southern Cross operations in the current year predominantly relates to care and maintenance costs.

(5) Income tax benefit booked in FY 2012

In the prior year, a credit of \$20,731,000 was recognised as an income tax benefit as a result of booking tax losses which had not been previously recognised.

Note 10 Income tax

(a) Income tax expense/ (benefit)

	Consolidated	
	2013	2012
	\$'000	\$'000
Current tax expense	32,884	35,432
Over provision in respect of the prior year	(3,555)	-
Deferred income tax (benefit)	(108,186)	(56,163)
Total income tax benefit for continued and discontinued operations	(78,857)	(20,731)
Comprising of:		
Income tax (benefit) for continued operations	(82,517)	(20,731)
Income tax expense for discontinued operations	3,660	-

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Note 10 – Income tax (continued)

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

	Consolidated	
	2013	2012
	\$'000	\$'000
(Loss)/Profit before income tax benefit – continuing and discontinued operations	(270,711)	109,499
Tax at the Australian tax rate of 30%	(81,213)	32,850
Tax effect of amounts not deductible/(taxable) in calculating taxable income:		
Legal and other non-deductible expenditure	496	636
Equity settled share based payments	290	271
Transaction costs treated as capital cost base	2,960	1,576
Sundry items	3,508	99
Utilisation of previously unbooked tax losses	(36)	(35,432)
Recognition of previously unbooked tax losses	(2,519)	(20,731)
Change in fair value of assets acquired	(5,637)	-
Research and development incentive (prior year)	(3,555)	-
Research and development incentive (current year)	(6,792)	-
Impairment – Goodwill	1,202	-
Current year losses not recognised – offshore entities	12,439	-
Income tax benefit	(78,857)	(20,731)

	Consolidated	
	2013	2012
	\$'000	\$'000
(c) Deferred tax balance		
Deferred tax assets		
Tax losses	214,344	227,897
Provisions and accruals	62,139	43,459
Hedges at fair value	-	16,290
Investments at fair value	212	96
Tax assets without a carrying amount	12,003	4,104
Property plant and equipment	187,359	-
Total	476,057	291,846
Tax effect @ 30%	142,817	87,554
Deferred tax liabilities		
Accrued income	405	543
Mine properties – exploration	69,730	23,470
Mine properties – development	272,694	176,194
Consumables	16,414	10,418
Capitalised convertible notes costs	17,866	7,172
Hedges at fair value	11,096	-
Total	388,205	217,797
Tax effect @ 30%	116,462	65,339
Net deferred tax balance	26,355	22,215

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Note 10 – Income Tax (continued)

	Consolidated	
	2013 \$'000	2012 \$'000
<i>Comprising of:</i>		
Australia – net deferred tax (liabilities)/assets	(876)	22,215
Pacific Operations – net deferred tax assets	27,231	-
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses – Pacific Operations	263,772	-
Provisions and accruals	516	-
Investments at fair value	51,397	-
Tax assets without a carrying amount	9,909	-
Total	325,594	-
Tax effect @ 30%	97,678	-

Note 11 Cash and cash equivalents

	Consolidated	
	2013 \$'000	2012 \$'000
Cash at bank and on hand	25,755	23,442
Term deposits	91,628	161,800
	117,383	185,242

(a) Cash at bank and on hand

Cash at bank at 30 June 2013 invested "at call" was earning interest at an average rate of 2% per annum (2012: 4% per annum).

(b) Term Deposits

The deposits at 30 June 2013 were earning interest at rates of between 3.7% and 4.25% per annum (2012: rates of between 4.04% and 5.92% per annum). While term deposits are invested for defined periods, all deposits can be immediately accessed at minimal or no penalty cost. At 30 June 2013, the average time to maturity was 40 days (2012: 41 days), with \$34,583,000 maturing between 90 to 180 days (2012: \$10,000,000) from balance date.

Note 12 Trade and other receivables

	Consolidated	
	2013 \$'000	2012 \$'000
Current assets		
Trade receivables	3,919	3,646
Other receivables	3,905	6,321
Restricted cash ⁽¹⁾	11,955	123
Prepayments	3,379	3,705
	23,158	13,795

1. Cash held on deposit with the Commonwealth Bank of Australia secures \$123,000 for bank guarantees as at 30 June 2013 (2012: \$123,000) and the remaining \$11,832,000 (2012: nil) represents security provided to the National Australia Bank for bank guarantees in favour of various government authorities and service providers.

Information concerning the effective interest rate and credit risk of receivables is set out in Note 3 and Note 16.

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Note 13 Inventories

	Consolidated	
	2013	2012
	\$'000	\$'000
Consumables	41,972	10,418
Ore stockpiles	4,351	760
Gold in circuit	7,915	10,689
Bullion on hand	9,757	-
	63,995	21,867

(a) Lower of cost and net realisable value

At 30 June 2013, ore stockpiles, gold in circuit and consumables are net of impairment losses as disclosed in Note 4. Bullion on hand of \$9,757,000 was valued at net realisable value (2012: all categories at cost).

Note 14 Deferred mining costs

	Consolidated	
	2013	2012
	\$'000	\$'000
Current		
Deferred operating mine development	32,411	23,789
Non-current		
Deferred operating mine development	1,229	5,917

Note 15 Available-for-sale financial assets

	Consolidated	
	2013	2012
	\$'000	\$'000
Current		
At beginning of year	154	-
Additions	51	250
Revaluation loss taken to equity	(124)	(96)
Effects of movement in exchange rates	7	-
	88	154

(a) Listed securities

Available-for-sale financial assets as at 30 June 2013 consisted of publicly traded shares in companies listed on the Australian Securities Exchange.

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Note 16 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 applying variable interest rates, as the Group intends to hold fixed rate assets and liabilities to maturity.

2013	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	25,755	91,628	-	-	117,383
Restricted cash and cash equivalents	-	11,955	-	-	11,955
Receivables	-	-	-	7,824	7,824
Available for sale financial assets	-	-	-	88	88
Gold put and call options	-	-	-	11,077	11,077
	25,755	103,583	-	18,989	148,327
Weighted average interest rate	1.18%	3.98%	n/a	n/a	
Financial liabilities					
Trade and other payables	-	-	-	88,658	88,658
Finance lease liabilities	-	4,218	7,791	-	12,009
Gold prepayment facility	-	38,394	15,415	-	53,809
Senior secured notes	-	-	262,274	-	262,274
	-	42,612	285,480	88,658	416,750
Weighted average interest rate	n/a	11.51%	9.04%	n/a	
Net financial assets/(liabilities)	25,755	60,971	(285,480)	(69,669)	(268,423)

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Note 16 Financial instruments (continued)

2012	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	23,442	161,800	-	-	185,242
Restricted cash and cash equivalents	123	-	-	-	123
Receivables	-	-	-	9,967	9,967
Available for sale financial assets	-	-	-	154	154
Gold put and call options	-	-	-	87	87
	23,565	161,800	-	10,208	195,573
Weighted average interest rate	3.78%	5.48%			
Financial liabilities					
Trade and other payables	-	-	-	55,542	55,542
Finance lease liabilities	-	1,024	992	264	2,280
Gold put and call options	-	-	-	16,377	16,377
Insurance premium funding	-	1,976	-	-	1,976
	-	3,000	992	72,183	76,175
Weighted average interest rate		5.93%	7.59%		
Net financial assets/(liabilities)	23,565	158,800	(992)	(61,975)	119,398

Note 17 Property, plant and equipment

	Consolidated	
	2013 \$'000	2012 \$'000
Non-current – net written down value		
Land and buildings	33,137	18,405
Plant and equipment	306,724	85,523
	339,861	103,928

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Note 17 Property, plant and equipment (continued)

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

	Consolidated	
	2013 \$'000	2012 \$'000
Land and buildings		
At the beginning of the year	18,405	16,256
Additions	802	3,756
Additions due to business combination (refer Note 40)	27,352	-
Depreciation	(2,952)	(1,607)
Disposals	(1,295)	-
Impairment losses and write downs	(9,175)	-
At the end of the year	33,137	18,405

	Consolidated	
	2013 \$'000	2012 \$'000
Plant and equipment		
At the beginning of the year	85,523	89,494
Additions	90,525	15,701
Additions due to business combination (refer Note 40)	293,261	-
Disposals	(3,735)	(1)
Depreciation	(28,085)	(15,770)
Impairment losses and write downs	(137,544)	(3,901)
Effects of movement in foreign exchange rates	6,779	-
At the end of the year	306,724	85,523
Total	339,861	103,928

(a) Security

As at 30 June 2013, plant and equipment with a carrying value of \$11,459,000 (2012: \$1,997,000) was pledged as security for finance leases (Note 21). In accordance with the security arrangements the senior secured notes are secured by the assets of St Barbara Limited; the security does not include the assets of the Pacific operations.

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Note 18 Mine properties

	Consolidated	
	2013	2012
	\$'000	\$'000
Non-current		
Mine Properties - development		
At beginning of the year	289,647	283,991
Direct expenditure	60,850	80,757
Amortisation for the year	(54,279)	(50,946)
Amortisation for discontinued operations	(6,352)	(22,432)
Impairment losses and write downs	(930)	(1,723)
At end of the year	288,936	289,647
Mineral rights		
At the beginning of the year	-	-
Additions	-	-
Additions due to business combination (refer Note 40)	336,450	-
Amortisation	(9,346)	-
Impairment losses and write downs	(117,147)	-
At the end of the year	209,957	-

Note 19 Exploration and evaluation

	Consolidated	
	2013	2012
	\$'000	\$'000
Non-current		
Exploration and evaluation		
At beginning of the year	15,474	11,629
Expenditure capitalised for the year	-	4,575
Disposals	(438)	-
Exploration and evaluation written off	-	(730)
At end of the year	15,036	15,474

Note 20 Trade and other payables

	Consolidated	
	2013	2012
	\$'000	\$'000
Current		
Trade payables	85,474	54,434
Other payables	3,184	1,108
	88,658	55,542

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Note 21 Interest bearing borrowings

	Consolidated	
	2013	2012
	\$'000	\$'000
Current		
Secured		
Lease liabilities (Note 29)	4,218	1,067
Gold prepayment facility	38,394	-
	42,612	1,067
Unsecured		
Insurance premium funding	-	1,976
Total current	42,612	3,043
Non-current		
Secured		
Lease liabilities (Note 29)	7,791	1,213
Senior secured notes (net of transaction costs)	262,274	-
Gold prepayment facility	15,415	-
Total non-current	285,480	1,213

Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in Note 3 and 16.

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 2013, restricted cash for this purpose amounted to \$11,955,000 (2012: \$123,000).

Gold prepayment facility

The gold prepayment facility comprises a gold loan and an embedded derivative which are settled concurrently with each repayment, and therefore disclosed as a single financial liability measured at fair value. The gold prepayment facility is repaid through the delivery of gold ounces in accordance with a monthly amortisation profile. Changes in the fair value of the financial liability are separated between interest cost and the movement in the embedded derivative, which are recognised immediately in the consolidated income statement as part of finance costs.

Senior secured notes

On 27 March 2013, the Group settled an offering of US\$250 million senior secured notes issued in the United States Rule 144A bond markets and to certain persons outside the United States. The senior secured notes are due 15 April 2018 with a coupon rate of 8.875%p.a. payable bi-annually. The notes were issued by St Barbara Limited and are secured by the Company's Australian assets; the security does not include the assets of the Pacific Operations. The USD value of the notes outstanding at reporting date is converted to AUD at the AUD/USD exchange rate as at 30 June 2013. The related transaction costs capitalised against the borrowings amount to \$10,218,757 and will be amortised over the period to 15 April 2018.

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Note 22 Derivative financial assets and liabilities

	Consolidated	
	2013	2012
	\$'000	\$'000
Current assets		
Fair value of gold option collar	11,077	87
Non-current assets		
Fair value of gold option collar	-	-
Current liabilities		
Fair value of gold option collar	-	2,830
Non-current liabilities		
Fair value of gold option collar	-	13,547

(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 collars at each reporting date, the Group obtains an independent valuation of each option tranche within each 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 asset or liability accordingly.

Note 23 Provisions

	Consolidated	
	2013	2012
	\$'000	\$'000
Current		
Employee benefits – annual leave	4,828	2,569
Employee benefits – long service leave	1,658	1,583
Employee benefits - other	5,689	2,078
Provision for rehabilitation	2,383	3,694
Other provisions	2,180	900
	16,738	10,824

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Note 23 Provisions (continued)

	Consolidated	
	2013	2012
	\$'000	\$'000
Non-current		
Provision for rehabilitation	58,713	30,071
Employee benefits - long service leave	2,600	1,212
Other provisions	11,458	-
	72,771	31,283
	Consolidated	
	2013	2012
	\$'000	\$'000
Movements in Provisions		
Rehabilitation		
Balance at start of year	33,765	34,531
Additions due to business combination	26,544	-
Reduction in provision due to Southern Cross disposal	(16,852)	-
Unwinding of discount	3,545	2,890
Provisions made during the year	13,647	(3,656)
Provisions used during the year	(3,737)	-
Effects of movements in the foreign exchange rate	4,184	-
Balance at end of year	61,096	33,765

Other provisions includes recognition of the fact that the counterparty to the Gold Prepayment Facility has the right to purchase 30% of the Simberi and Gold Ridge mines production (over and above the commitment to deliver to the repayment of the Facility) for five years, and 25% for the next five years, using a spot gold price selected from the twelve days prior to settlement of the gold sale. This provision was booked at fair value on acquisition – refer Note 4 (ix).

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Note 24 Contributed equity**(a) Share capital**

	2013 Shares	2012 Shares	2013 \$'000	2012 \$'000
Ordinary shares - fully paid	488,074,077	324,620,389	886,242	613,275

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price (\$/share)	\$'000
1 July 2012			324,620,389		613,275
7 Sept 2012	Issue of shares	(i)	163,453,688	1.67	272,967
30 Jun 2013	Closing balance		488,074,077		886,242

(i) Issue of shares upon acquisition of Allied Gold Limited on 7 September 2012.

(c) 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.

(d) 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 outstanding at the end of the financial year, is set out in Note 37.

Note 25 Reserves and accumulated losses**(a) Reserves**

	Consolidated	
	2013 \$'000	2012 \$'000
Reserves		
Share Based payment reserve	1,141	2,996
Investment Fair Value Reserve	(156)	(67)
Gold Hedge reserve	3,627	(3,394)
Foreign currency translation reserve	(29,614)	-
	(25,002)	(465)

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Note 25 Reserves and accumulated losses (continued)

	Consolidated	
	2013	2012
	\$'000	\$'000
<i>Share based payments reserve</i>		
Balance at start of year	2,996	3,108
Option/performance rights expense	963	1,828
Option/performance rights expired and transferred to retained earnings	-	(1,016)
Option/performance rights not vesting	(2,818)	(924)
Balance at end of year	1,141	2,996
<i>Investments fair value reserve</i>		
Balance at start of year	(67)	-
Fair value adjustment	(124)	(96)
Tax effect of fair value adjustments	35	29
Balance at end of year	(156)	(67)
<i>Gold cash flow hedge reserve</i>		
Balance at start of year	(3,394)	(2,059)
Options exercised/expired	(1,711)	264
Fair value adjustments	13,376	(3,054)
Tax effect of fair value movements	(4,644)	1,455
Balance at end of year	3,627	(3,394)
<i>Foreign currency translation reserve</i>		
Balance at start of year	-	-
Movement during the year	(29,614)	-
Balance at end of year	(29,614)	-

(b) Accumulated losses

Movements in accumulated losses were as follows:

	Consolidated	
	2013	2012
	\$'000	\$'000
Balance at start of year	(48,977)	(180,223)
(Loss)/Profit attributable to members of the Company	(191,854)	130,230
Transferred from share based payment reserve	2,818	1,016
Balance at end of year	(238,013)	(48,977)

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(c) Share based payments reserve

The share based payments reserve is used to recognise the fair value of options and rights issued to executives and employees but not exercised. During the year, \$2,818,000 previously recognised in the share based payment reserve for 1,955,263 options which expired during the year were transferred as a gain to accumulated losses (2012: gain of \$1,016,000). Accounting standards preclude the reversal through the income statement of amounts which have been booked in the share based payments reserve for options and rights which expire due to not having met a market based vesting condition.

(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/asset.

(e) Investment fair value reserve

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.

(f) Foreign currency translation reserve

The assets and liabilities of controlled entities incorporated overseas with functional currencies other than Australian dollars are translated into the presentation currency of St Barbara Limited (Australian dollars) at the year-end exchange rate and the revenue and expenses are translated at the rates applicable at the transaction date. Exchange differences arising on translation are taken directly to the foreign currency translation reserve in equity.

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Note 26 Parent Entity disclosures

As at, and throughout, the financial year ended 30 June 2013, the parent company of the Group was St Barbara Limited.

(a) Financial statements

	Parent Entity	
	2013 \$'000	2012 \$'000
Results of the parent entity		
(Loss)/Profit after tax for the year	(196,307)	130,230
Other comprehensive income	11,549	(1,402)
Total comprehensive income for the year	(184,758)	128,828

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

	Parent Entity	
	2013 \$'000	2012 \$'000
Financial position of the parent entity at year end		
Current assets	186,060	244,936
Total assets	986,127	682,295
Current liabilities	64,079	83,640
Total liabilities	348,950	129,683
Total equity of the parent entity comprising:		
Share capital	886,242	613,275
Share based payments reserve	1,141	2,996
Investment fair value reserve	(148)	(67)
Gold cash flow hedge reserve	3,627	(3,394)
Retained earnings/(Accumulated losses)	(253,685)	(60,198)
Total equity	637,177	552,612

(b) Parent entity contingencies

The parent entity had no contingent liabilities at 30 June 2013.

(c) Parent entity guarantees

Refer Note 28 for details of bank guarantees issued by the parent entity.

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Note 26 Parent Entity disclosures (continued)**(d) Parent entity capital commitments for acquisition of property, plant and equipment**

	Company	
	2013 \$'000	2012 \$'000
Contracted but not yet provided for and payable		
Within one year	-	-

Note 27 Remuneration of auditors

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

	Consolidated	
	2013 \$	2012 \$
(a) Assurance services		
<i>Audit and audit related services</i>		
KPMG		
Audit and review of financial reports	527,500	261,000
Total remuneration for audit and audit related services	527,500	261,000
(b) Non-audit services ¹		
KPMG		
Services relating to the senior secured note issue	364,208	-
Financial and accounting due diligence services	-	495,000
Total remuneration for non-audit services	364,208	495,000

(1) Non audit services of \$92,012 were paid to BDO (WA) for services relating to the senior secured note issue.

Note 28 Contingencies**(a) Contingent liabilities and assets**

The Company and consolidated entity had no contingent liabilities or assets at 30 June 2013.

(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 2013 was \$11,955,000 (2012: \$20,608,000). Security is provided to the National Australia Bank Limited ("NAB") (refer to Note 17) for \$11,832,000 of this amount in cash deposits. Cash held on deposit with the Commonwealth Bank of Australia secures the remaining \$123,000 as at 30 June 2013 (refer to Note 12).

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Note 29 Commitments for expenditure

	Consolidated	
	2013	2012
	\$'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 relevant state government mining departments in Western Australia, New South Wales and South Australia. This requirement will continue for future years with the amount dependent upon tenement holdings.	8,061	9,677

	Consolidated	
	2013	2012
	\$'000	\$'000
Finance Lease Commitments		
Payable not later than one year	5,863	1,408
Payable later than one year, not later than five years	8,141	1,065
	<u>14,004</u>	<u>2,473</u>
Future finance charges	(1,995)	(193)
Total lease liabilities	<u>12,009</u>	<u>2,280</u>
Current (Note 21)	4,218	1,067
Non-current (Note 21)	7,791	1,213
	<u>12,009</u>	<u>2,280</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 at which point ownership of the assets transfers to the Group.

	Consolidated	
	2013	2012
	\$'000	\$'000
Analysis of Non-Cancellable Operating Lease Commitments		
Payable not later than one year	1,604	916
Payable later than one year, not later than five years	5,139	3,093
Payable later than five years	1,194	85
	<u>7,937</u>	<u>4,094</u>

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Note 29 Commitments for expenditure (continued)**Consolidated**

	2013	2012
	\$'000	\$'000
Analysis of Non-Cancellable Operating Sub-lease receipts		
Receivable not later than one year	214	207
Receivable later than one year, not later than five years	392	607
	606	814

Note 30 Related party transactions**a) Directors and key management personnel**

Disclosures relating to Directors and Key Management Personnel are set out in Note 42.

(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. It is the Group's policy that transactions are at arm's length.

During the year the Company charged management fees of \$2,509,000 to an entity in the wholly-owned group (2012: \$ nil).

Loans payable to and advanced from wholly-owned subsidiaries to the Company amount to a net receivable of \$123,200,000 (2012: net payable \$11,401,000).

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company have been eliminated on consolidation.

(c) 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.

(d) Terms and conditions

Outstanding balances are unsecured and are repayable in cash on demand.

(e) Amounts receivable from Director related entities

At 30 June 2013, there were no amounts receivable from Director related entities (2012: \$ nil).

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

During the year ended 30 June 2013, there were no other transactions with Directors of the Company and their Director related entities.

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Note 31 Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy in Note 1 Principles of Consolidation.

	Country of Incorporation	Ownership Interest		Carrying value of company's investment	
		June 2013 %	June 2012 %	June 2013 \$'000	June 2012 \$'000
<u>Parent entity</u>					
St Barbara Limited	Australia				
<u>Subsidiaries of St Barbara Limited</u>					
Allied Gold Mining Ltd ³	UK	100	-	255,638	-
Australian Eagle Oil Co Pty Ltd	Australia	100	-	178	178
Capvern Pty Ltd	Australia	100	-	-	-
Eagle Group Management Pty Ltd	Australia	100	-	-	-
Murchison Gold Pty Ltd	Australia	100	-	-	-
Kingkara Pty Ltd	Australia	100	-	-	-
Oakjade Pty Ltd	Australia	100	-	-	-
Regalkey Holdings Pty Ltd	Australia	100	-	-	-
Silkwest Holdings Pty Ltd	Australia	100	-	-	-
Sixteenth Ossa Pty Ltd	Australia	100	-	-	-
Vafitu Pty Ltd	Australia	100	-	-	-
Zygot Pty Ltd	Australia	100	-	-	-
<u>Subsidiaries of Allied Gold Mining Ltd</u>					
Allied Gold Ltd	Australia	100	-	-	-
<u>Subsidiaries of Allied Gold Limited</u>					
Advance R&D Pty Ltd ¹	Australia	100	-	-	-
AGL (ASG) Pty Ltd	Australia	100	-	-	-
AGL (SGC) Pty Ltd	Australia	100	-	-	-
Allied Gold Finance Pty Ltd	Australia	100	-	-	-
Allied Gold Services Pty Ltd	Australia	100	-	-	-
Allied Tabar Exploration Pty Ltd	Australia	100	-	-	-
Aretrend Pty Ltd ¹	Australia	100	-	-	-
Australian Solomons Gold Limited	Australia	100	-	-	-
Nord Pacific Limited	Canada	100	-	-	-
<u>Subsidiaries of AGL (SGC) Pty Ltd</u>					
Compania Minera Nord Pacific De Mexico, S.A. DE C.V. ²	Mexico	100	-	-	-

¹ Non operating.

² 49,999 shares held by AGL (SGC) Pty Ltd. 1 share held by AGL (ASG) Pty Ltd.

³ Formerly Allied Gold Mining Plc.

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	Country of Incorporation	Ownership Interest		Carrying value of company's investment	
		June 2013	June 2012	June 2013	June 2012
		%	%	\$'000	\$'000
<u>Subsidiaries of Allied Tabar Exploration Pty Ltd</u>					
Tabar Exploration Company Ltd	Australia PNG	100	-	-	-
<u>Subsidiaries of Australian Solomons Gold Limited</u>					
JU Mine (Australia) Pty Ltd	Australia Australia	100	-	-	-
<u>Subsidiaries of Nord Pacific Limited</u>					
Nord Australex Nominees (PNG) Ltd	Canada PNG	100	-	-	-
Simberi Gold Company Limited	PNG	100	-	-	-
<u>Subsidiaries of JV Mine Australia</u>					
Solomon Islands International Pty Ltd	Australia Australia	100	-	-	-
<u>Subsidiaries of Solomon Islands International Pty Ltd</u>					
ASB Solomon Islands Ltd ⁴	Australia Solomon Islands	100	-	-	-
<u>Subsidiaries of ASG Solomon Islands Ltd</u>					
Gold Ridge Mining Ltd ⁵	Solomon Islands Solomon Islands	100	-	-	-

Note 32 Interests in jointly controlled assets

	June 2013 Equity %	June 2012 Equity %	Joint Venturers
WESTERN AUSTRALIA			
<u>Leonora Region</u>			
Mount Newman - Victory	92%	87%	Astro Diamond Mines N.L.
Sandy Soak	91%	91%	Hunter Resources Pty Ltd
Melita	80%	80%	Dalrymple Resources N.L.
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

As at 30 June 2013 there was no joint venture assets or liabilities recorded in the balance sheet (2012: Nil).

As at 30 June 2013 there were no interests in jointly controlled assets in Solomon Islands or Papua New Guinea.

⁴ 175,762,501 shares held by Solomon Islands International Pty Ltd. 1 share held by JV Mine (Australia) Pty Ltd.

⁵ 175,762,501 shares held by ASG Solomon Island Ltd. 74,443,511 shares held by Australian Solomons Gold Ltd. 1 share held by Solomon Islands International Pty Ltd.

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Note 33 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 or the Group's operations, the results of those operations or the state of affairs, except that on 5 July 2013 the gold put and call options were closed out for cash proceeds of \$8,500,000.

Note 34 Reconciliation of (loss)/profit after income tax to net cash flows from operating activities

	Consolidated	
	2013	2012*
	\$'000	\$'000
(Loss)/Profit after tax for the year	(191,854)	130,230
Depreciation and amortisation	101,002	90,869
Impairment losses and write downs	309,170	10,219
Income tax (benefit)/expense	(78,857)	-
Net gain on sale of property plant and equipment	(13)	(67)
Net gain on sale of discontinued operations (refer note 38)	(22,109)	-
Recognition of unbooked tax losses	-	(20,731)
Net realised/unrealised loss/(gain) on gold derivative fair value movements	(15,703)	5,400
Unwinding of rehabilitation provision	3,538	-
Net transaction costs paid	5,764	-
Unrealised foreign exchange gain	(9,643)	-
Equity settled share-based payments	963	904
Change in operating assets and liabilities		
(Increase)/decrease in receivables and prepayments	12,894	10,345
(Increase)/decrease in inventories	(24,592)	(4,009)
(Increase)/decrease in other assets	(283)	(10,408)
Increase/(decrease) in trade creditors and payables	(4,609)	7,037
Increase/(decrease) in non-current provisions	(14,640)	(866)
Increase/(decrease) in other liabilities	-	5,640
Net cash flows from operating activities	71,028	224,563

*Restated to reflect non-cash financing of assets and operating costs per note 35.

Note 35 Non-cash investing and financing activities

	Consolidated	
	2013	2012
	\$'000	\$'000
Proceeds from insurance premium funding	-	2,736
Acquisition of vehicles and equipment through finance leases	8,528	491
Acquisition of software licence	1,024	-
	9,552	3,227

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Note 36 Earnings per share

	Consolidated	
	2013	2012
	Cents	Cents
(a) Basic earnings per share		
Continued operations	(43.50)	40.15
Continued and discontinued operations	(41.92)	40.04
(b) Diluted earnings per share		
Continued operations	(43.18)	39.71
Continued and discontinued operations	(41.62)	39.60

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

	Consolidated	
	2013	2012
	\$'000	\$'000
Basic and diluted earnings per share:		
(Loss)/Profit after tax for the year - continuing operations	(199,053)	130,587
(Loss)/Profit after tax for the year – including discontinued operations	(191,854)	130,230

(d) Weighted average number of shares

	Consolidated	
	2013	2012
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	457,622,431	325,285,005
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	460,946,718	328,885,173

(i) 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 37.

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Note 37 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 were granted as part of an employee's total remuneration package. Options were granted for a three to five year period. Commencing with the 2011 financial year long term incentives were granted in the form of Performance rights.

During the year ended 30 June 2013, \$2,818,000 previously recognised in the share based payment reserve for 1,955,263 options, which expired during the year, were transferred as a gain to accumulated losses. All options have expired and no new options were granted. Accounting standards preclude the reversal through the Income Statement for amounts which have been booked in the share based payments reserve for options which satisfy service conditions but do not vest due to market conditions.

Consolidated and parent entity – 2013

Grant Date	Expiry Date	Exercise Price	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 Sep 09	23 Sep 14	\$1.722	1,955,263	-	-	(1,955,263)	-	-
Weighted average exercise price			\$2.02			\$1.72	-	-

Consolidated and parent entity – 2012

Grant Date	Expiry Date	Exercise Price	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
11 Sep 06	11 Sep 11	\$2.863	333,334	-	-	333,334 ⁽¹⁾	-	-
01 Dec 06	01 Dec 11	\$3.181	83,334	-	-	83,334 ⁽¹⁾	-	-
06 May 09	02 Mar 14	\$2.286	251,350	-	-	251,350 ⁽²⁾	-	-
06 May 09	03 Apr 14	\$2.466	517,354	-	-	517,354 ⁽²⁾	-	-
23 Sep 09 ⁽²⁾	23 Sep 14	\$1.722	2,284,737	-	-	329,474 ⁽³⁾	1,955,263	-
Total			3,470,109	-	-	1,514,846	1,955,263	-
Weighted average exercise price			\$2.02			\$2.40	\$1.72	-

(1) Options expired during the year.

(2) Options did not meet performance criteria, therefore did not vest.

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

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(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 – 2013								
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	1,909,640	-	-	1,909,640	-	-
21 Jan 11	30 Jun 13	\$1.81	114,611	-	-	114,611	-	-
28 Oct 11	30 Jun 14	\$2.23	960,115	-	-	225,586 ⁽¹⁾	734,529	-
23 Nov 11	30 Jun 14	\$2.20	459,621	-	-	-	459,621	-
15 Mar 12	30 Jun 14	\$2.09	243,496	-	-	-	243,496	-
19 Dec 12	30 Jun 15	\$2.09	-	1,573,697	-	-	1,573,697	-
Total			3,687,483	1,573,697	-	2,249,837	3,011,343	-
Weighted average exercise price			-	-	-	-	-	-

(1) Expired due to termination of employment

Consolidated and parent entity – 2012								
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	2,274,252	-	-	364,612 ⁽¹⁾	1,909,640	-
21 Jan 11	30 Jun 13	\$1.81	114,611	-	-	-	114,611	-
28 Oct 11	30 Jun 14	\$2.23	-	1,177,839	-	217,724 ⁽¹⁾	960,115	-
23 Nov 11	30 Jun 14	\$2.20	-	459,621	-	-	459,621	-
15 Mar 12	30 Jun 14	\$2.09	-	243,496	-	-	243,496	-
Total			2,388,863	1,880,956	-	582,336	3,687,483	-
Weighted average exercise price			-	-	-	-	-	-

(1) Expired due to termination of employment

The weighted average remaining contractual life of performance rights outstanding at the end of the year was 1.5 years (2012: 1.5 years). The model inputs for rights granted during the year ended 30 June 2013 included:

- i. Rights are granted for no consideration. The vesting of rights granted in 2013 is subject to a continuing service condition as at each vesting date, and relative Total Shareholder Returns over a three year period measured against a peer group.
- ii. Performance rights do not have an exercise price.
- iii. Any performance right which does not vest will lapse.
- iv. Grant date varies with each issue.

The fair value of rights issued was adjusted according to estimates of the likelihood that the market conditions will 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 \$1,442,000. This outcome was based on the likelihood of the market condition being met as at the date the rights vest.

FINANCIAL REPORT

(c) Expenses arising from share based payment transactions

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

	Consolidated	
	2013	2012
	\$	\$
Options/performance rights issued under employee option plan	963,000	904,000

Note 38 Discontinued Operations

On 9 January 2013 the Group entered into an agreement with Hanking Gold Mining Pty Ltd, a subsidiary of China Hanking Holdings Limited, to sell the Southern Cross Operations. The proceeds of the sale substantially exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised on the reclassification of these operations as held for sale. The disposal was completed on 19 April 2013, on which date control passed to the acquirer. Details of the assets and liabilities disposed of are disclosed in Note 39, and the calculation of the profit on disposal, is disclosed in Note 38.

The results of the discontinued operations included in the consolidated income statement are set out below. The comparative profit and cash flows from discontinued operations are shown in the tables below.

FINANCIAL REPORT

Note 38 Discontinued operations (continued)

	2013	2012
	\$'000	\$'000
Loss for the period from discontinued operations		
Revenue (see note 6)	56,603	156,793
Expenses	(67,853)	(157,150)
Loss before tax	(11,250)	(357)
Attributable income tax benefit (see note 10)	3,375	-
Loss after tax	(7,875)	(357)
		-
Gain on disposal of operations (see note 39)	22,109	-
Attributable income tax expense (see note 10)	(7,035)	-
	15,074	-
		-
Profit/(Loss) for the year from discontinued operations (attributable to owners of the company)	7,199	(357)

	2013	2012
	\$'000	\$'000
Cash flows from discontinued operations		
Net cash inflows from operating activities	10,915	36,856
Net cash inflows/(outflows) from investing activities	17,221	(14,185)
Net cash inflows	28,136	22,671

Note 39 Disposal of subsidiary

	2013	2012
	\$'000	\$'000
Consideration received		
Consideration received in cash	17,648	-
	17,648	-
Analysis of assets and liabilities over which control was lost		
<u>Current assets</u>		
Inventories	4,478	-
Other assets	1,852	-
<u>Non-Current assets</u>		
Property plant and equipment	6,061	-
<u>Non-Current liabilities</u>		
Provision for rehabilitation	(16,852)	-
Net liability disposed of	(4,461)	-

The gain on disposal is included in the profit for the year from discontinued operations.

FINANCIAL REPORT

Note 40 Business Combinations**Subsidiaries acquired**

On 7 September 2012, the Company acquired 100% of the ordinary share capital of Allied Gold Mining Plc ("Allied Gold") in line with its growth strategy to enhance diversification and take advantage of further exploration opportunities.

	2013	2012
	\$'000	\$'000
Consideration transferred		
Cash and cash equivalents	210,934	-
Equity (refer Note 24)	272,967	-
<u>Total consideration</u>	<u>483,901</u>	<u>-</u>
	2013	2012
	\$'000	\$'000
Goodwill arising on acquisition		
Consideration transferred	483,901	-
Less: Fair value of identifiable net assets acquired (provisional)	(479,896)	-
<u>Goodwill arising on acquisition</u>	<u>4,005</u>	<u>-</u>

Goodwill arises on acquisition of Allied Gold. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes

	2013	2012
	\$'000	\$'000
Net cash outflow on acquisition of subsidiaries		
Consideration paid in cash	210,934	-
Less: cash and cash equivalent balances acquired	(4,311)	-
	<u>206,623</u>	<u>-</u>

The initial accounting for the acquisition of Allied Gold has been provisionally determined at 30 June 2013. At the date of finalisation of this year-end report, the necessary calculations have not been finalised and therefore the fair value of the assets and liabilities noted above have only been provisionally determined based on the directors' best estimate of the likely fair value of the assets and liabilities. The Group has until 7 September 2013 to finalise the estimates.

The legal due diligence process identified various legal matters and open litigation which have been identified and included in the current provision balance at fair value, representing the best estimate of the known and likely exposure at the time of the acquisition.

FINANCIAL REPORT

Note 40 Business Combinations

	Provisional fair value reported at 31 Dec 2012 \$'000	Adjustments to provisional fair value \$'000	Provisional fair value reported at 30 Jun 2013 \$'000
Current assets			
Cash	4,311	-	4,311
Trade receivables	5,857	-	5,857
Inventories ⁽¹⁾	72,013	(10,478)	61,535
Available for sale financial assets	51	-	51
Other assets	4,582	-	4,582
Total current assets	86,814	(10,478)	76,336
Non-Current assets			
Property plant and equipment ⁽²⁾	365,445	(44,832)	320,613
Mineral Rights asset ⁽³⁾	269,795	66,655	336,450
Goodwill ⁽⁴⁾	-	4,005	4,005
Total Non-Current assets	635,240	25,828	661,068
Current liabilities			
Trade payables ⁽⁵⁾	(48,464)	4,519	(43,945)
Provisions ⁽⁶⁾	(12,933)	(500)	(13,433)
Loans and Borrowings	(46,809)	-	(46,809)
Total Current liabilities	(108,206)	4,019	(104,187)
Non-Current liabilities			
Provisions ⁽⁶⁾	(40,120)	(7,500)	(47,620)
Loans and Borrowings ⁽⁷⁾	(30,251)	(1,339)	(31,590)
Deferred tax liability ⁽⁸⁾	(59,576)	(10,530)	(70,106)
Total Non-Current liabilities	(129,947)	(19,369)	(149,316)
Fair value of identifiable net assets	483,901	-	483,901

- (1) Detailed review of inventory balances, including ore stockpiles and gold in circuit, determined that there were certain low grade stockpiles and other inventories which are not likely to be recovered.
- (2) Detailed review and analysis of fixed asset registers and assets under construction determined that there was some duplication of asset items.
- (3) Fair values are provisional due to the complexity of the valuation process, particularly in relation to the mineral rights acquired. Subsequent to 31 December 2012, management has obtained a final independent valuation of the mineral rights acquired and adjusted the provisional amount accordingly.
- (4) At 31 December 2012, as the valuation of mineral rights was provisional, goodwill was not separated out from this balance.
- (5) Detailed review of trade payables determined that there were long outstanding balances in the account which had been paid prior to acquisition.
- (6) Reviews of the rehabilitation estimates subsequent to acquisition resulted in an increase in the provision at acquisition.
- (7) Increase in borrowings represents a change in the fair value of the gold prepayment facility following a review of the fair value methodology.
- (8) The change in deferred taxes is a result of the adjustments listed above, largely driven by the decrease in property, plant and equipment (which decreased the deferred tax liability), offset by the increase in the mineral rights acquired which increased the deferred tax liability on acquisition.

FINANCIAL REPORT

Impact of acquisition on the results of the Group

Included in the loss is \$30,233,000 loss attributable to Allied Gold. Revenue for the period includes \$279,235,000 in respect of Allied Gold. Had the acquisition of Allied Gold been effected at 1 July 2012, the revenue of the Group from continuing operations for the period ended 30 June 2013 would have been \$542,335,000 and the loss for the year from continuing operations would have been \$213,337,000. The Group consider these “pro-forma” numbers to represent an approximate measure of the performance of the combined group on an annual basis and to provide a reference point for comparison in future years.

In determining the “pro-forma” revenue and profit of the Group had Allied Gold been acquired at the beginning of the current financial year, the Group has calculated depreciation and amortisation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

Note 41 Goodwill

	2013	2012
	\$'000	\$'000
Cost	4,005	-
Accumulated impairment losses	(4,005)	-
	-	-
Cost		
Balance at the beginning of the year	-	-
Amount recognised from business combinations (note 40)	4,005	-
Balance at end of year	4,005	-
Accumulated impairment losses		
Balance at the beginning of the year	-	-
Impairment losses recognised in the year	(4,005)	-
Balance at end of year	(4,005)	-

FINANCIAL REPORT

Note 42 Key Management Personnel Disclosures**(a) Directors**

The following persons were Directors of St Barbara Limited during and since the end of 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
- 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 and since the end of the financial year:

- Tim J Lehany Managing Director & CEO
- Alistair Croll 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
- Katie-Jeyn Romeyn Executive General Manager Human Resources (appointed 1 Sep 2012)

FINANCIAL REPORT

(c) Key Management Personnel Compensation

	Consolidated	
	2013	2012
	\$	\$
Short term employee benefits	4,095,961	4,207,826
Post-employment benefits	96,075	78,522
Long Service Leave	151,948	104,216
Share-based payments	491,280	1,162,542
Termination payments	-	330,716
	<u>4,835,264</u>	<u>5,883,822</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 performance rights provided as remuneration and shares issued on the exercise of options and performance rights, together with their terms and conditions of the options, are disclosed in Note 37.

(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:

2013	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Expired 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	976,220	-	-	976,220	-	-	-
<i>Key management personnel</i>							
A Croll	-	-	-	-	-	-	-
G Campbell-Cowan	290,670	-	-	290,670	-	-	-
R Kennedy	256,258	-	-	256,258	-	-	-
P Uttley	256,258	-	-	256,258	-	-	-
K Romeyn	-	-	-	-	-	-	-

FINANCIAL REPORT

2012 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Expired 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	-	-	-	(251,350) ⁽¹⁾	976,220	-
<i>Key management personnel</i>							
D Rose	329,474	-	-	-	(329,474) ⁽²⁾	-	-
G Campbell-Cowan	825,196	-	-	(333,334)	(201,192) ⁽¹⁾	290,670	-
R Kennedy	413,032	-	-	-	(156,774) ⁽¹⁾	256,258	-
P Uttley	256,258	-	-	-	-	256,258	-

(1) Options did not vest at 30 June 2012.

(2) Options expired upon termination of employment

(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:

2013 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	1,217,440	438,182	-	(757,819) ⁽¹⁾	897,803	-
<i>Key management personnel</i>						
A Croll	169,106	158,239	-	-	327,345	-
G Campbell-Cowan	372,209	139,636	-	(225,737) ⁽¹⁾	286,108	-
R Kennedy	313,548	110,756	-	(195,174) ⁽¹⁾	229,130	-
P Uttley	321,808	118,478	-	(195,174) ⁽¹⁾	245,112	-
K Romeyn ⁽²⁾	168,546	103,349	-	(100,375) ⁽¹⁾	171,520	-

(1) Lapsed during the year

(2) K Romeyn was not a KMP at the start of the year but the balance has been included to show the movements to the balance at the end of the year.

2012 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	459,621	-	-	1,217,440	-
<i>Key management personnel</i>						
D Rose	252,011	152,846	-	(404,857) ⁽¹⁾	-	-
A Croll	-	169,106	-	-	169,106	-
G Campbell-Cowan	225,737	146,472	-	-	372,209	-
R Kennedy	195,174	118,374	-	-	313,548	-
P Uttley	195,174	126,634	-	-	321,808	-

(1) Lapsed during the year

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(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.

2013 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	-	-	32,948	-	200,770
D W Bailey	30,247	-	-	100,000	-	130,247
E A Donaghey	40,000	-	-	35,000	-	75,000
P C Lockyer	20,631	-	-	54,400	-	75,031
R K Rae	48,976	-	-	71,024	-	120,000
<i>Key management personnel</i>						
A Croll	-	-	-	28,150	-	28,150
G Campbell-Cowan	15,000	-	-	-	-	15,000
R Kennedy	74,218	-	-	21,160	-	95,378
P Uttley	-	-	-	30,000	-	30,000
K Romeyn	-	-	-	-	-	-
2012 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	-	-	-	40,000	-	40,000
P C Lockyer	20,631	-	-	-	-	20,631
R K Rae	48,976	-	-	-	-	48,976
<i>Key management personnel</i>						
A Croll	-	-	-	-	-	-
G Campbell-Cowan	-	-	-	15,000	-	15,000
R Kennedy	65,218	-	-	9,000	-	74,218
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 47 to 124 and the Remuneration report in the Directors' report, set out on pages 24 to 42, 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 2013 and of its 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 2013.
- 3 The directors draw attention to Note 1.1 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
22 August 2013



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 2013, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 42 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of 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, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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 Group's financial position and of its performance.

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



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 the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its 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.

Report on the remuneration report

We have audited the Remuneration Report included in pages 24 to 42 of the directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Tony Romeo
Partner

Melbourne

22 August 2013

FINANCIAL REPORT

Corporate Directory

BOARD OF DIRECTORS

S J C Wise Chairman
T J Lehany Managing Director & CEO
D W Bailey Non-Executive Director
E A Donaghey Non-Executive Director
P C Lockyer Non-Executive Director
R K Rae Non-Executive Director

COMPANY SECRETARY

R J Kennedy

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STOCK EXCHANGE LISTING

Shares in St Barbara Limited are quoted on
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