



2014 Annual Report and Notice of Annual General Meeting

The 2014 Annual General Meeting of St Barbara Limited will be held at 11:00 am Melbourne time (UTC + 11 hours) on Tuesday 25 November 2014, in the Royce Conference Room, Royce Hotel, 379 St Kilda Road, Melbourne.

The 2014 Annual Report, Notice of Annual General Meeting and sample Proxy Form are attached, as distributed to shareholders today.

A live audio webcast of the Annual General Meeting will be available on St Barbara's website at www.stbarbara.com.au/investors/webcast/ or by [clicking here](#). The audio webcast is 'listen only' and does not enable questions. The audio webcast will subsequently be made available on the website.

Investor Relations	Mr Rowan Cole	Company Secretary	+61 3 8660 1900
Media Relations	Ms Nerida Mossop	Hinton & Associates	+61 3 9600 1979

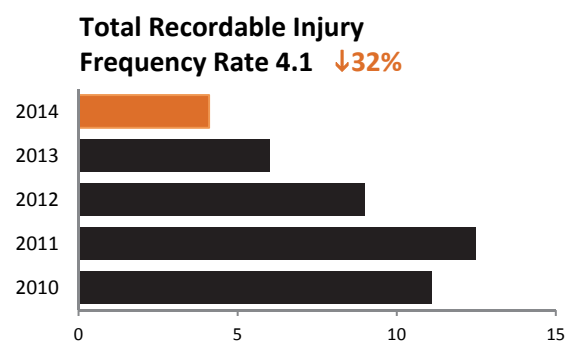
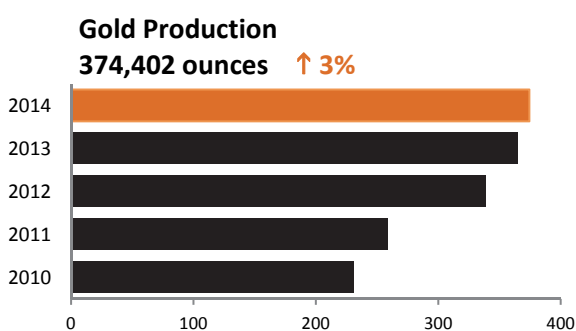


St Barbara
LIMITED

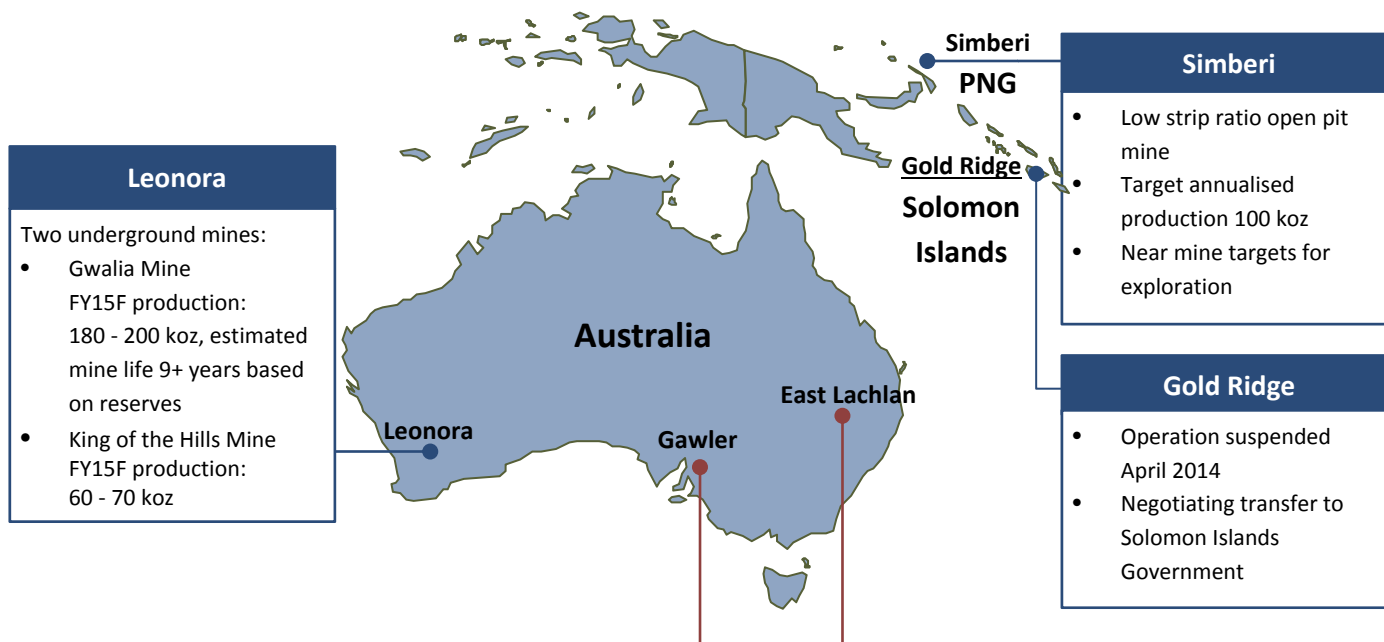
Annual Report 2014

St Barbara at a glance

- > St Barbara has three mining operations:
 - > **Leonora** Operations in Western Australia
 - > **Simberi** Operations in Papua New Guinea
 - > **Gold Ridge** Operations in the Solomon Islands
- > **Leonora** Operations comprises the **Gwalia** and **King of the Hills** underground mines. The **Gwalia** underground mine is St Barbara's cornerstone asset. The **Gwalia** deposit has an Ore Reserve grade of 8.2 g/t Au, an expected mine life of at least nine years, and remains open at depth. **Gwalia** compares favourably against other ASX listed gold mines on grade, reserve size, production and cost per ounce
- > **Simberi** Operations has an open pit mine, and a recently completed plant expansion. The target production run-rate is 100,000 ounces per year, following completion of identified post-commission works which are now underway. Oxide and sulphide Ore Reserves provide the potential for Simberi to become a long-term cash generating asset
- > **Gold Ridge** Operations remains suspended following torrential rain and floods in April 2014, and the Company is negotiating to transfer Gold Ridge to the Solomon Islands Government
- > St Barbara has one of the largest **Ore Reserve** positions of any mid-tier ASX listed gold company, with 5.2 million ounces of contained gold. In FY15:
 - > deep drilling is planned at **Gwalia**, which remains open at depth
 - > prospective near mine targets are planned to be drilled at **Simberi**
- > St Barbara's primary safety measure, total recordable injury frequency rate, reduced 32% to 4.1 at June 2014, the lowest on record for the Company



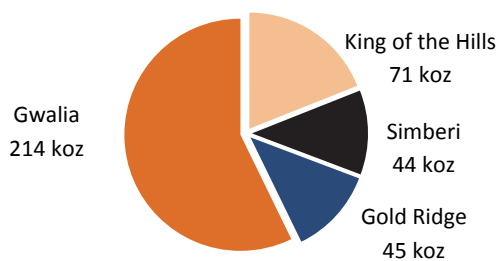
St Barbara at a glance



3,600 km² of prospective tenements across Australia, Papua New Guinea and the Solomon Islands

- Near mine targets at existing operations at Leonora and Simberi
- Prospective greenfields copper-gold targets at Gawler, SA
- Prospective exploration area for copper-gold porphyry mineralisation at East Lachlan, NSW

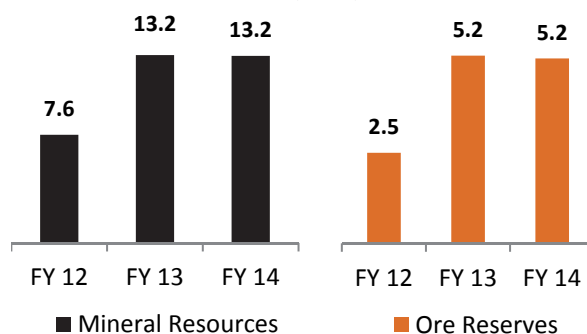
FY14 Gold Production 374 koz



Ore Reserves as at 30 June 2014

Ore Reserves	Mt	g/t Au	koz
Leonora, Western Australia	10.3	6.9	2,280
Gold Ridge, Solomon Islands	14.6	1.4	670
Simberi, Papua New Guinea	44.2	1.6	2,210
Total Reserves all Regions	69.1	2.3	5,160

Mineral Resources & Ore Reserves (Moz)



Refer to page 110 for Ore Reserves and Mineral Resources Statements

Contents

3	Directors' Report
41	Financial Report
110	Ore Reserves and Mineral Resources Statements
118	Corporate Governance Statement
125	Shareholder Information

**Directors' Report
and
Financial Report**

For Year Ended 30 June 2014

TABLE OF CONTENTS

DIRECTORS' REPORT	3
Directors	3
Principal activities	3
Dividends	3
Overview of Results	3
Significant changes in the state of affairs	10
Business strategy and future prospects	11
Regulatory environment	14
Information on Directors	15
Meetings of Directors	20
Remuneration report (Audited)	21
Indemnification and insurance of officers	38
Proceedings on behalf of the company	38
Environmental management	38
Non-audit services	39
Auditor independence	39
Events occurring after the end of the financial year	39
Rounding of amounts	39
Auditor's Independence Declaration	40
FINANCIAL REPORT	41

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 2014.

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 Non-executive Chairman
- R S Vassie Managing Director & CEO (appointed 1 July 2014)
- T J Lehany Managing Director & CEO (resigned 30 June 2014)
- D W Bailey Non-executive director
- I Scotland Non-executive director
- E A Donaghey Non-executive director (resigned 30 June 2014)
- P C Lockyer Non-executive director (resigned 31 March 2014)
- R K Rae Non-executive director (resigned 28 February 2014)
- T Netscher Non-executive director (appointed 17 February 2014)

The qualifications, experience and special responsibilities of the Directors are presented on pages 15 to 19.

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 \$500,831,000 (2013: statutory net loss after tax of \$191,854,000) for the year ended 30 June 2014, including Significant Items totaling a net loss after tax of \$406,872,000 (2013: net loss of \$221,139,000) which included an asset impairment and write down charge. Underlying net loss after tax before significant items was \$93,959,000 (2013: net profit of \$29,285,000). The full year review of St Barbara's asset carrying values, as a result of the continuing poor performance from the Simberi gold mine and suspension of operations at the Gold Ridge mine, gave rise to the impairment of the carrying value of these gold mines and write down of assets associated with the operations.

Cash on hand (excluding restricted cash) at 30 June 2014 was \$79,407,000 (2013: \$117,383,000). Total interest bearing borrowings were \$339,576,000 (2013: \$328,092,000).

DIRECTORS' REPORT

The consolidated result for the year is summarised as follows:

	30 June 14 \$'000 ⁷	30 June 13 \$'000 ⁷
Sales revenue (including discontinued operations) ⁽⁷⁾	533,828	568,443
EBITDA ⁽³⁾⁽⁶⁾ (including significant items)	(331,634)	(150,628)
EBIT ⁽²⁾⁽⁶⁾ (including significant items)	(440,325)	(251,630)
(Loss) before tax ⁽⁴⁾	(483,307)	(270,711)
Statutory (Loss)⁽¹⁾ after tax for the year	(500,831)	(191,854)
Sales revenue (excluding discontinued operations)	533,828	511,840
Total net significant items after tax	(406,872)	(221,139)
EBITDA ⁽³⁾⁽⁶⁾ (excluding significant items)	73,019	141,051
EBIT ⁽²⁾⁽⁶⁾ (excluding significant items)	(35,672)	48,239
(Loss)/profit before tax – excluding significant items ⁽⁴⁾	(78,014)	34,836
Underlying net (Loss)/profit after tax⁽⁵⁾⁽⁶⁾ for the year	(93,959)	29,285

(1) Statutory (Loss) is net loss 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) (Loss)/profit before tax is earnings before income tax expense. It includes revenues and expenses associated with discontinued operations.

(5) Underlying net (loss)/profit after income tax is net (loss) after income tax ("Statutory (Loss)") 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. In the prior year there was a discontinued operation.

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 14 \$'000	30 June 13 \$'000
Unrealised gain on gold options	-	14,205
Realised gain on gold options	2,832	1,498
Asset impairments and write downs – 30 June	(368,456)	(309,170)
Asset impairments and write downs – 31 December	(42,100)	-
Borrowing costs written off	(640)	(5,678)
Redundancy costs	(5,213)	(2,131)
Allied Gold related acquisition costs	-	(7,862)
Integration costs	-	(7,268)
Additional proceeds in relation to Southern Cross sale	1,444	22,109
Write back of onerous provision	6,840	-
Operating loss from discontinued operations	-	(11,250)
Significant items before tax	(405,293)	(305,547)
Significant items after tax	(406,872)	(221,139)

DIRECTORS' REPORT

Asset impairments and write downs

The review of the Group's asset carrying values at 30 June 2014 in the context of the lower gold price environment, reduced operational performance of the Simberi operation, and the cessation of operations at Gold Ridge due to a flood event in April 2014, has resulted in the impairment and write down of the carrying value of assets totalling a loss of \$368,456,000 after tax. At 31 December 2013, the Group incurred an impairment write-off of \$42,100,000 after tax, bringing the total impairments expensed during the year ended 30 June 2014 to \$410,556,000 after tax.

The breakdown of the impairment expense of \$410,556,000 booked in the year ended 30 June 2014 is provided in the table below:

	Simberi \$'000	Gold Ridge \$'000	Total \$'000
Write down of assets			
Inventories	7,594	16,748	24,342
Impairments			
Property, plant and equipment	102,846	100,434	203,280
Deferred mining costs	-	3,032	3,032
Mineral rights	104,850	75,052	179,902
Total asset impairment and write-downs	215,290	195,266	410,556
Tax effect			-
Total asset impairments and write downs after tax			410,556

Overview of Operating Results

The statutory loss of \$500,831,000 for the year ended 30 June 2014 (2013: statutory loss of \$191,854,000) was impacted by the lower operating profit from Leonora as a result of lower achieved gold prices during the year, negative contributions from the Simberi and Gold Ridge operations, and impairment write downs associated with the Pacific Operations.

For the year ended 30 June 2014, the Group reported an underlying loss before tax of \$78,014,000 (2013 profit: \$34,836,000). The underlying loss excludes the impact of significant items, including the asset impairment and write down charges. Underlying loss after tax was \$93,959,000 (2013 profit: \$29,285,000).

Group revenue (excluding discontinued operations) increased from \$511,840,000 in 2013 to \$533,828,000 in 2014. Revenue from Australian Leonora Operations was adversely impacted by lower average spot gold prices in 2014 compared with 2013.

The table below provides a summary of the contribution before tax from continued operations in Australia and the Pacific before asset impairment and write down charges of \$410,556,000 during the year.

Year ended 30 June 2014 \$'000	Australian Operations ⁽²⁾	Pacific Operations ⁽³⁾	Consolidated
Revenue	401,820	132,008	533,828
Mine operating costs	(206,809)	(188,873)	(395,682)
Gross Profit	195,011	(56,865)	138,146
Royalties	(15,903)	(4,296)	(20,199)
Depreciation and Amortisation	(80,938)	(24,625)	(105,563)
Contribution from operations⁽¹⁾	98,170	(85,786)	12,384

⁽¹⁾ Excludes corporate and exploration costs, interest and tax. 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 Leonora operations, which includes the Gwalia and King of the Hills underground mines and the Leonora processing plant.

⁽³⁾ Comprising the Simberi and Gold Ridge operations.

DIRECTORS' REPORT

Analysis of Australian Operations

Total sales revenue of \$401,820,000 (2013: \$372,156,000) was generated from gold sales of 284,067 ounces (2013: 239,667 ounces) in the year at an average achieved gold price of A\$1,406 per ounce (2013: A\$1,543 per ounce). Although production was higher compared with the prior year, revenue was adversely impacted by the decline in the average spot gold price during the year.

A summary of production performance for the year ended 30 June 2014 is provided in the table below.

Details of 2014 Production Performance

		Gwalia		King of the Hills	
		2013/14	2012/13	2013/14	2012/13
Underground Ore Mined	kt	811	696	472	470
Grade	g/t Au	8.4	8.2	4.6	4.4
Ore Milled (including stockpiles)	kt	851	834	514	440
Grade	g/t Au	8.1	7.1	4.5	4.4
Recovery	%	96	96	95	95
Gold Production	oz	214,319	183,116	70,711	58,477
Cash Cost ⁽¹⁾	A\$/oz	688	751	973	843
Total Cost	A\$/oz	912	979	1,422	1,193

Gwalia

Ore tonnes mined from the Gwalia underground mine increased from 696,000 tonnes in 2013 to 811,000 tonnes in 2014, largely due to improved mining methods employed during the year. Ore milled grades increased from 7.1g /t Au in 2013 to 8.1g/t Au in 2014 largely due to a lower blend of low grade development ore. Gold production from the Gwalia underground mine in the year was 214,319 ounces (2013: 183,116 ounces). The higher production compared with the prior year was due to increased throughput in the processing plant from improved blending strategies and higher mill availability, and the higher grades.

Gwalia unit cash operating costs¹ for the year were \$688 per ounce (2013: \$751 per ounce), reflecting the benefit of increased production. Total Cash Operating Costs¹ at Gwalia of \$147,451,000 were higher compared with the prior year (2013: \$137,520,000) due to the increase in production volumes.

King of the Hills

Gold production from the King of the Hills underground mine was 70,711 ounces (2013: 58,477 ounces). The average grade was marginally higher than the prior year at 4.6g/t Au (2013: 4.4g /t Au). The increase in ore milled from 440kt in the prior year to 514kt in the current year was a result of improved blending strategies and higher mill availability. The King of the Hills unit cash operating costs for the year were \$973 per ounce (2013:\$843 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 \$68,802,000 (2013: \$49,296,000) reflecting the impact of increased milling volumes and higher mining costs.

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

Analysis of Pacific Operations

Total sales revenue of \$132,008,000 (10 months to June 2013: \$139,684,000) was generated from gold sales of 92,093 ounces (10 months to June 2013: 88,262 ounces) at an average achieved gold price of A\$1,426 per ounce (10 months to June 2013: A\$1,564 per ounce). Production in the prior year commenced on 7 September 2012 when the Group acquired Allied Gold PLC.

A summary of production performance for the year ended 30 June 2014 is provided in the table below.

Details of 2014 Production Performance

	Simberi		Gold Ridge		
	12 months to 30 June 2014	10 months to 30 Jun 13 ⁽¹⁾	12 months to 30 June 2014	10 months to 30 Jun 13 ⁽¹⁾	
Open Pit Ore Mined	kt	1,886	1,942	1,425	1,581
Grade	g/t Au	1.0	1.0	1.4	1.5
Ore Milled (including stockpiles)	kt	1,714	1,471	1,467	1,437
Grade	g/t Au	1.0	1.1	1.4	1.5
Recovery	%	80	88	67	65
Gold Production	oz	44,251	45,609	45,121	45,931
Cash Cost ⁽³⁾	A\$/oz	2,136	1,294	1,994	1,702
Total Cost ⁽²⁾⁽³⁾	A\$/oz	2,385	1,621	2,218	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.

(3) Before significant items.

Simberi

Ore tonnes mined from the Simberi open pit mines decreased from 1,942,000 tonnes for the 10 months to 30 June 2013 to 1,886,000 tonnes for the year ended 30 June 2014. Mining performance in the 2014 financial year was largely due to poor equipment reliability and availability during most of the year. During the second half of the year, mining rates improved as a result of the acquisition of low-hour haul trucks, which saw an increase in equipment availability in the June quarter. Ore milled increased to 1,714,000 tonnes (10 months to June 2013: 1,471,000 tonnes), which reflected the commissioning of the SAG mill in December 2013, and the processing of ore through both the SAG mill and ball mill in the second half of the year. Gold production decreased to 44,251 ounces compared with the prior year (10 months to June 2013: 45,609 ounces) largely due to lower recoveries, which were impacted by carbon management, transitional sulphide ore in the mill feed, and early commissioning difficulties associated with the SAG mill. The production in the year was well down on expectations due to the poor mining performance and difficulties in commissioning the new SAG mill.

Simberi unit cash operating costs for the year were \$2,136 per ounce (10 months to June 2013: \$1,294 per ounce), reflecting the impact of lower than expected production, higher mining costs from the write off of waste material moved and higher than planned maintenance costs on the plant. Total Cash Operating Costs at Simberi during the year were higher than the prior year at \$94,520,000 (10 months to June 2013: \$59,018,000) due to the twelve month period and higher operating costs.

Gold Ridge

During April 2014, the Gold Ridge operations were suspended following torrential rain and consequential flooding on Guadalcanal. With access roads cut off, dwindling stocks of fuel, food and essential supplies and escalating security concerns, local and expatriate personnel were evacuated from the site. No gold production occurred from early April until 30 June 2014. The timing of the recommencement of any mining activities will be impacted by contributing factors outside of the Group's control, which require the active management and involvement of the Solomon Islands Government, namely the remediation of the Tinahulu Bridge and the removal of several hundred illegal miners camped in the open pit mining areas.

DIRECTORS' REPORT

Gold production up to the date that operations ceased was 45,121 ounces (10 months to June 2013: 45,931 ounces) which was consistent with prior year. Cash operating costs of \$1,994 per ounce (10 months to June 2013: \$1,702 per ounce) increased due to significant plant downtime during the period, and the consequential loss of production. Total Cash Operating Costs at Gold Ridge during the year were \$89,971,000 (10 months to June 2013: \$78,175,000).

Included in mine operating costs in the Income Statement is \$9,889,000, which relates to expenditure post the cessation of activities in April 2014 following the floods. This expenditure predominantly represents national and expatriate salaries in addition to other mine stabilisation expenditures.

Corporate and Discovery & Growth

Exploration and evaluation expenditure in the year amounted to \$21,297,000 (2013: \$21,144,000), of which all was expensed in the income statement. Expenditure incurred in Australia in the year amounted to \$8,057,000, while exploration in the Pacific was \$13,240,000. Exploration costs in the current year included a redundancy expense of \$842,000. Exploration expenditure during the year focused on investigating highly prospective near mine high grade oxide targets at Simberi, and near surface mineralisation at Gold Ridge (prior to cessation of operations in April). 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 \$23,634,000 (2013: \$19,253,000) comprised mainly expenses relating to the corporate office and compliance costs. Costs in the current year included a redundancy expense of \$2,752,000 as a result of organisational changes to reduce corporate costs.

Royalty expenses for the year were \$20,199,000 (2013: \$18,561,000), reflecting the higher revenues earned in Australia. 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 \$1,906,000 (2013: \$4,072,000) comprised mainly interest earned during the year of \$1,720,000 (2013: \$3,811,000). The decrease in interest earned is reflective of lower cash balances held during 2014 compared with 2013, as well as lower interest rates applied to excess cash balances.

Other income for the year of \$10,278,000 (2013: \$3,131,000) included \$6,840,000 for the write back of an onerous provision relating to the gold prepayment facility that was refinanced in February 2014. Other income also included royalties earned from tenements held in Australia of \$1,565,000, plus \$1,444,000 received from Hanking as contingent consideration from the sale of the Southern Cross operation in the prior year.

Depreciation and amortisation of fixed assets and capitalised mine development amounted to \$108,691,000 (2013: \$92,812,000) for the year. Depreciation and amortisation attributable to the Australian Operations was \$80,938,000 (2013: \$64,105,000), with the increase due to higher production compared with the prior year. The expense at the Pacific Operations of \$24,625,000 (10 months to June 2013: \$16,542,000) was higher than the prior year, mainly due to an increase in fixed assets at Simberi relating to the commissioning of the SAG mill and the fact that there was a full year of depreciation and amortisation in the current year. The balance of the depreciation and amortisation expense was associated with corporate and exploration activities.

Finance costs in the year were \$44,702,000 (2013: \$22,892,000). 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 loan of US\$75,000,000 drawn down with Red Kite to refinance the gold prepayment facility acquired as part of the Allied Gold acquisition. During the year, \$3,575,000 of capitalised borrowing costs relating to the senior secured notes was expensed to the Income Statement. Fair value movements of \$10,800,000 relating to the gold prepayment facility was expensed to the income statement prior to the loan being refinanced. Finance costs also included the unwinding of the discount on the rehabilitation provision of \$3,021,000.

A foreign exchange movement gain of \$1,810,000 was recognised for the year (2013: gain of \$9,122,000), which 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.

DIRECTORS' REPORT**Discussion and Analysis of the Cash Flow Statement***Operating activities*

Cash flows from operating activities for the year were \$20,260,000 (2013: \$71,028,000). Receipts from customers of \$540,050,000 (2013: \$584,716,000) were lower than the prior year due to the inclusion of receipts from the discontinued Southern Cross operations in 2013 of \$56,603,000. Payments to suppliers were \$472,501,000 (2013: \$489,297,000), with 2013 including the settlement of accounts payable in relation to Southern Cross operations. Payments for exploration expensed in the year amounted to \$21,297,000 (2013: \$21,144,000). Interest received of \$1,720,000 (2013: \$3,811,000) 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 \$26,565,000 (2013: \$5,840,000), reflecting a full twelve months of payments on the senior secured notes drawn down in March 2013, and higher interest on the increased Red Kite facility.

Investing activities

Net cash flows used in investing activities amounted to \$86,412,000 (2013: \$324,277,000) for the year, with the prior year including the cash paid for the acquisition of Allied Gold PLC of \$206,623,000. Lower expenditure on property, plant and equipment of \$49,225,000 (2013: \$74,465,000) was attributable mainly to reduced expenditures on the oxide plant expansion at Simberi, which was mostly incurred during 2013. Mine development expenditure in the year was \$39,971,000 (2013: \$60,850,000), which was lower than the prior year due mainly to lower expenditure at Gwalia and the cessation of mining activities at Southern Cross in November 2012. No exploration and evaluation expenditure was capitalised during the year (2013: \$Nil) 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 – \$28,921,000 (2013: \$43,200,000);
- Underground mine development and infrastructure at King of the Hills – \$11,050,000 (2013: \$20,231,000);
- Simberi oxide expansion and other capital projects – \$26,973,000 (2013: \$46,924,000); and
- Purchase of property, plant and equipment at the operations – \$19,092,000 (2013: \$22,379,000)

Financing activities

Net cash flows from financing activities were a net inflow of \$18,679,000 (2013: net inflow of \$180,662,000), with major movements in cash flows including:

- Drawdown of a US\$75,000,000 (A\$83,452,000) debt facility to refinance the existing gold prepayment facility, including a settlement of \$36,132,000 to close out the facility;
- Repayments in relation to the gold prepayment facility of cash equivalents totalling \$32,399,000. The repayment of this facility was finalised as a result of the restructuring with Red Kite in February 2014.
- Scheduled repayments of insurance premiums, leasing and equipment financing facilities amounted to \$9,279,000 (2013: \$6,432,000), with the main variance from the prior year attributable to a full twelve months of repayments for leases entered into midway through 2013 associated with equipment acquired for Gold Ridge;
- Proceeds of \$8,500,000 from closing out gold options previously held as a hedge of King of the Hills gold production; and
- \$10,378,000 was reclassified from “restricted cash” during the year due to the change in the rehabilitation bonding structure in Western Australia, which resulted in the removal of cash backed bonds and replaced by contributions into a state rehabilitation fund. In the prior year, \$11,832,000 was classified as “restricted cash”.

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

St Barbara's net assets and total equity decreased during the year by \$491,415,000 to \$131,812,000 as a result of asset impairments and write downs expensed during the year, together with an underlying loss for the year of \$93,959,000.

The available cash balance at 30 June 2014 was \$79,407,000 (2013: \$117,383,000), with an additional \$1,577,000 held on deposit as restricted cash and reported within trade receivables.

Impairment write downs impacted the following balances:

- Inventories of \$37,416,000 (2013: \$63,995,000);
- Property, plant and equipment of \$153,893,000 (2013: \$339,861,000);
- Mineral rights of \$25,370,000 (2013: \$209,957,000);
- Deferred mining costs of \$31,980,000 (2013: \$33,640,000).

Trade and other payables decreased to \$58,951,000 at 30 June 2014 (2013: \$88,658,000) reflecting mainly the impact of the cessation of activities at Gold Ridge.

Interest bearing liabilities increased to \$339,576,000 at 30 June 2014 (2013: \$328,092,000) with the largest components of the year end balance representing:

- US\$250 million senior secured notes translated at the year end AUD/USD exchange rate (\$265,100,000), net of capitalised transaction costs of \$9,052,000;
- A debt facility of US\$75 million drawn down with RK Mine Finance ("Red Kite") translated at the year end AUD/USD exchange rate (\$79,530,000), net of capitalised transaction costs of \$5,841,000. The facility was entered into on 25 February 2014 with a term of 33 months. There are no principal repayments for the first twelve months, with interest payable quarterly based on a linked reference rate. The current interest rate applied is 8.5%. The facility is secured under the existing senior secured notes security trust structure and has priority payment status; and
- Lease liabilities of \$9,839,000.

Provisions decreased to \$84,007,000 (2013: \$89,509,000) largely due to the derecognition of an onerous provision of \$6,840,000 relating to the preferential sale of production from Gold Ridge, which was cancelled as a result of the refinancing of the gold prepayment facility with Red Kite.

The deferred tax balance is a net asset of \$5,859,000 (2013: net asset of \$26,355,000). The decrease is attributable to the impairment write downs in the Pacific Operations. Deferred tax assets arising from accumulated tax losses in relation to the Pacific Operations of \$150,723,000 (tax effected) have not yet been booked as it is not probable as at 30 June 2014 that future taxable profits will be generated to utilise these deferred tax assets.

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 \$500,831,000, which increased the accumulated losses of the Group to \$737,442,000 at 30 June 2014. The net loss after tax included the asset impairment and write down charge of \$410,556,000 after tax.
- b) Asset impairment and write down charge
At 30 June 2014 the Group recognised an asset impairment and write down charge of \$368,456,000 before tax in relation to inventory, plant and equipment, deferred mine operating development expenditure, mineral rights, and capitalised mine development expenditure at Gold Ridge and Simberi. At 31 December 2013, an asset impairment and write down charge of \$42,100,000 was expensed.
- c) Decrease in net assets
The Group's net assets decreased by \$491,415,000 during the year mainly as a result of the asset impairment and write down charges expensed in relation to the Pacific Operations.
- d) Increase in interest bearing borrowings
At 30 June 2014 the total interest bearing borrowings increased by \$11,484,000 compared to the prior year. The increase was attributable to the restructure of the Red Kite facility.

DIRECTORS' REPORT

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 and Papua New Guinea. St Barbara is currently reviewing options for the future of the Gold Ridge mine in Solomon Islands, which include possible sale of the operation, possible joint venture or reducing activities to care and maintenance. The Simberi operation in PNG has consistently underperformed with optimisation work on the processing plant expansion planned to continue in the first half of the 2015 financial year to achieve reliable performance. An engineering and maintenance program on the Simberi processing plant to diagnose issues and to implement a preventative asset management approach is underway.

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.
- *Improving productivity:* The Group is focused on increasing volumes at the Simberi operations and reducing operating costs. St Barbara continues to invest 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 Simberi operations. At Simberi, a sulphide ore reserve, which has been estimated at 1.3 Moz, provides an opportunity to create a long life production centre at Simberi. In addition the Group is generating and evaluating exploration targets in the Tabar Island Group in Papua New Guinea.
- *Maintaining a conservative financial profile:* The Group will continue to maintain prudent financial management policies with the objective of maintaining liquidity to ensure appropriate investments in the operations. 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.

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.

The Group's 2015 financial year budget was developed in the context of a volatile gold market following a sustained depression in the gold price. The Group's priorities in the 2015 financial year are to continue consistent production from Leonora, optimise the operations in the Pacific and to reduce costs and capital expenditure. For the 2015 financial year the Group's operational and financial outlook for Leonora (comprising the Gwalia and King of the Hills underground mines) is as follows:

- Gold production is expected to be 240,000 to 270,000 ounces.
- Cash operating cost is expected to be in the range of \$840 per ounce to \$875 per ounce.
- Capital expenditure is expected to be \$60 million to \$69 million.

Guidance for Simberi will be updated following the completion of an engineering and maintenance program on the processing plant to diagnose operational issues and implement a preventative asset management approach.

Gold Ridge is not expected to resume production in calendar year 2014.

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 2014 are:

- *Fluctuations in the United States Dollar ("USD") spot gold price:* 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).

- *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.

The Western Australian government has foreshadowed a possible increase in royalties payable on Western Australia gold production. Independent research has confirmed any increase in gold royalty rates may result in mine closures, cutbacks in exploration, and widespread job losses.

- *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, rain and seismic events 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.
- *Simberi production may not be realised:* Since the acquisition of the Pacific Operations the Simberi operation has achieved operational performance well short of expectations. The benefits the Group expects to result from the Simberi operation will depend, in part, on St Barbara's ability to increase production 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 engineering projects aimed at improving operational capabilities, lifting production performance, lowering operating costs and improving the overall condition of operations to ensure reliable performance. The addition of equipment to the mining fleet and improved maintenance strategies is expected to result in higher equipment availability, utilisation and mining performance.

DIRECTORS' REPORT

- *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 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.

The Company is working with the Solomon Islands Government to consider the options for the Gold Ridge operations in the future.

- *Restrictions on indebtedness:* Under the terms of the US senior secured notes, although there are no operational covenants, there are certain restrictions on the cumulative amount that can be invested in the Pacific Operations, and in the amount of additional indebtedness that may be entered into by St Barbara. A breach of these terms may lead to a default. At 30 June 2014, based on forward projections, there is adequate headroom under these restrictions. Additionally, the restrictions on investment in the Pacific Operations and new indebtedness may provide a potential constraint on developing future programs such as expanding production capacity or developing additional near mine reserves.
- *Refinancing risk:* The Company has debt facilities with external financiers, including a secured loan facility with RK Mine Finance and senior secured notes. The structure of these facilities has been designed so that the refinancing obligations are staged over a reasonable period. Although the Company currently generates sufficient cash flows to secure its debt requirements, no assurance can be given that it will be able to refinance the debt prior to its expiry on acceptable terms to the Company. If the Company is unable to repay or refinance its external debt in the future, its financial condition and ability to continue operating may be adversely affected.
- *Community relations:* A failure to adequately manage community and social expectations within the communities in which the Group operates may lead to local dissatisfaction 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 of further impairment:* If the gold price continues to decline, or the operations are not expected to meet future production levels, there may be a potential for future impairment write downs at any of our operations.

DIRECTORS' REPORT

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.

During July 2014, the Company announced that by operation of its internal reporting mechanisms, the provision of benefits to a foreign public official that may violate its Anti-Bribery and Anti-Corruption Policy or applicable laws in Australia or in foreign jurisdictions were identified. The amount of the benefits provided to the foreign public official was not material to the Company. The Company self-reported the matter to relevant authorities, including the Australian Federal Police, and the matter is being assessed and investigated. To date, there has been no action taken against the Company, consequently, the range of potential penalties, if any, cannot be reliably estimated. Should there be any prosecution, potential penalties if any are governed by laws in various jurisdictions including *Criminal Code 1995 (Cth)* in Australia and/or the UK *Bribery Act*.

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 took effect from 1 July 2013. The Mining Rehabilitation Fund replaces 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.

DIRECTORS' REPORT

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.

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

Appointed as Non-Executive Chairman July 2004

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 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 Audit, Remuneration and Health, Safety, Environment and Community Committees

Interest in shares and options

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

Robert S (Bob) Vassie, B. Mineral Technology Hons (Mining), AICD *Managing Director and Chief Executive Officer*

Appointed as a Director 1 July 2014

Mr Vassie joined St Barbara as Managing Director and Chief Executive Officer on 1 July 2014. He is a mining engineer with 29 years international mining industry experience. Prior to joining St Barbara, Mr Vassie was the Managing Director and CEO at Inova Resources Limited (formerly Ivanhoe Australia Limited) and has 18 years experience in a range of senior management roles with Rio Tinto. He has particular experience in operations management, resource development strategy, mine planning, feasibility studies, business improvement, corporate restructuring and strategic procurement.

Other current public company directorships

Nil

Former public company directorships in last 3 years

Inova Resources Limited (formerly Ivanhoe Australia Limited)

Special responsibilities

Nil

Interest in shares and options

Mr Vassie has no relevant interest in shares of the Company.

DIRECTORS' REPORT

Douglas W Bailey, BBus (Acc), CPA, ACIS *Non-Executive Director*

Appointed as a Director January 2006

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 of the Company.

Tim Netscher, BSc (Eng) (Chemical), BCom, MBA, FIChE, CEng, MAICD *Non-Executive Director*

Appointed as a Director 17 February 2014

Mr Netscher was the Managing Director of Gindalbie Metals Limited from 2011 to 2013, and is currently the Non-Executive Chairman of Deep Yellow Limited, a Non-Executive Director of Aquila Resources Limited, and a Non-Executive Director of Western Areas Limited, all ASX listed companies. A chemical engineer, he is an experienced international mining executive with extensive operational, project development, and transactional experience and expertise in senior executive management roles.

Other current public company directorships

Deep Yellow Limited

Aquila Resources Limited

Western Areas Limited

Former public company directorships in last 3 years

Gindalbie Metals Limited

Industrea Limited

Bullabulling Gold Limited

Special responsibilities

Chair of the Health, Safety, Environment and Community Committee (from 1 April 2014)

Member of the Audit Committee

Interest in shares and options

Mr Netscher has no relevant interest in shares of the Company.

DIRECTORS' REPORT

Ines Scotland B.Sc *Non-Executive Director*

Appointed as a Director 30 September 2013

Ms Scotland is an experienced director and senior executive in the resources sector, with particular expertise in building successful projects in developing countries. She was co-founder in 2007 of Citadel Resource Group Limited. As Managing Director & CEO, she listed the Company on the ASX through an IPO and managed the successful development of the Jabel Sayid copper project in Saudi Arabia before the company was acquired by Equinox Minerals in late 2010.

Other current public company directorships

Chair of MetalBank Limited

Former public company directorships in last 3 years

Ivanhoe Australia Limited (most recently as interim Managing Director previously Non-Executive Director)
Citadel Resource Group Limited

Special responsibilities

Chair of the Remuneration Committee (from 1 March 2014)
Member of the Health, Safety, Environment and Community Committee

Interest in shares and options

Ms Scotland has a relevant interest in 16,000 fully paid ordinary shares of the Company.

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

Appointed as a Director April 2011. Resigned as a Director 30 June 2014

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 was 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 Environment and Community Committees

Interest in shares and options

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

DIRECTORS' REPORT**Timothy J Lehany B.E., MBA, MAusIMM** *Managing Director and Chief Executive Officer (to 30 June 2014)*

Appointed as a Director March 2009. Resigned as a Director 30 June 2014

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.

Mr Lehany is a member of the Australian Institute of Company Directors.

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 of the Company.

Phillip C Lockyer M.Sc, AWASM, DipMETALL *Non-Executive Director*

Appointed as a Director December 2006. Resigned as a Director 31 March 2014

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

Western Desert Resources Limited

Swick Mining Services Limited

RTG Mining Inc

Former public company directorships in last 3 years

CGA Mining Limited

Focus Minerals Limited

Special responsibilities

Chairman of the Health, Safety, Environment and Community Committee (to 31 March 2014)

Member of the Audit Committee (to 31 March 2014)

Interest in shares and options

Mr Lockyer has a relevant interest in 75,031 fully paid ordinary shares of the Company.

DIRECTORS' REPORT**Robert K Rae B.Com (Hons), FAICD** *Non-Executive Director*

Appointed as a Director April 2008. Resigned as a Director 28 February 2014

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 (to 28 February 2014)

Member of the Audit Committee (to 28 February 2014)

Interest in shares and options

Mr Rae has a relevant interest in 140,000 fully paid ordinary shares of the Company.

Qualifications and experience of the Company secretary**Rowan Cole, B.Comm, CA, CIA, MBA, Grad. Dip AGC, Dip Inv Rel** *Company Secretary*

Mr Cole joined St Barbara in 2010 as General Manager Corporate Services and was appointed as Deputy Company Secretary in 2012 and as Company Secretary in 2014.

He has over 25 years' experience across chartered accounting, retail banking, private and public companies. Mr Cole's experience includes external, internal and IT audit, risk management, customer service delivery, marketing, strategy formulation, execution and measurement, process and business improvement, financial and business reporting in senior roles including general manager, head of risk and compliance, chief audit executive and most recently prior to joining St Barbara as chief financial and risk officer of an ASX 300 company.

Information on Executives**Robert S (Bob) Vassie, B. Mineral Technology Hons (Mining), AICD** *Managing Director and Chief Executive Officer*

Appointed as a Director 1 July 2014

Mr Vassie joined St Barbara as Managing Director and Chief Executive Officer in July 2014. He is a mining engineer with 29 years international mining industry experience. Prior to joining St Barbara, Mr Vassie was the Managing Director and CEO at Inova Resources Limited (formerly Ivanhoe Australia Limited) and has 18 years' experience in a range of senior management roles with Rio Tinto. He has particular experience in operations management, resource development strategy, mine planning, feasibility studies, business improvement, corporate restructuring and strategic procurement.

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

Mr Campbell-Cowan is a Chartered Accountant with 30 years of experience in senior management and finance 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, internal audit, capital management, procurement and information technology. Prior to joining St Barbara, he was Director of Corporate Accounting at Telstra and has held senior leadership roles with WMC, Newcrest Mining and ANZ.

DIRECTORS' REPORT

Ross J Kennedy, BComm, Grad.Dip, ACA, FAICD, Chartered Secretary, MAusIMM *Executive General Manager Corporate Services/Company Secretary (to 28 March 2014)*

Mr Kennedy has more than 15 years of experience as a senior company executive working with Australian and international business operations. He has extensive experience as a Company Secretary including skills in governance, compliance, policy and Board interaction. Mr Kennedy also has significant experience in managing complex corporate transactions as well as a passion for external relations: including developing an investor relations brand aligned to corporate strategy, and building strong, sustainable relationships with government leaders in developing countries.

Katie-Jeyn Romeyn, B.Mgt (Human Resource Management) *Executive General Manager People and Business Services*

Ms Romeyn joined St Barbara in 2007 from which time she has held a number of leadership roles. In March 2014 she was appointed Executive General Manager People & Business Services. In this role Ms Romeyn leads Human Resources; Company Secretariat; Legal; Health, Safety, Environment and Community; and Risk for the Company.

Ms Romeyn has 15 years' experience in the mining industry; prior to joining St Barbara, Katie-Jeyn worked for WMC Resources, Rio Tinto and BHP Billiton.

Timothy J Lehany B.E., MBA, MAusIMM *Managing Director and Chief Executive Officer (to 30 June 2014)*

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.

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 (Scheduled)		Board (Supplementary)		Audit Committee		Remuneration Committee		Health & Safety Committee	
	A	B	A	B	A	B	A	B	A	B
C Wise	10	10	3	3	4	4	5	5	2	3
T Lehany	10	10	3	3	4	4	-	-	-	-
D Bailey	10	10	3	3	4	4	5	5	3	3
E Donaghey	10	10	3	3	-	-	5	5	3	3
P Lockyer	7	7	3	3	3	3	-	-	2	2
R Rae	6	6	1	2	3	3	3	3	-	-
I Scotland	6	8	1	2	-	-	2	4	2	3
T Netscher	4	5	-	1	-	-	-	-	2	2

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

DIRECTORS' REPORT

Remuneration report (Audited)

Introduction

This Remuneration Report describes the remuneration structure that applied for the 2014 financial year. The Report provides details of remuneration paid for the 2014 financial year to Directors and the senior executives named in this report with the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, collectively referred to as Key Management Personnel.

Overview of contents

1. Remuneration strategy
2. Response to vote against 2013 Remuneration Report
3. Decision making authorities for remuneration
4. Remuneration structure
5. Group performance
6. Remuneration paid

1. Remuneration Strategy

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 the Group strategy. The remuneration policy and related employment policies and practices are aligned with this strategy.

The objectives of the Remuneration strategy for the 2014 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 senior executives and managers comprised an appropriate proportion of fixed remuneration and performance linked at risk remuneration
- performance linked at risk remuneration 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
- remuneration for Non-Executive Directors preserved their independence by being in the form of fixed fees.

The remuneration strategy, policy and structure are directly linked to the development of strategies and budgets in the Group's annual planning cycle shown in the timetable below.

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
July		Measure STI outcomes and determine award Measure LTI outcomes and action any vested entitlements
August	Annual Financial Report	Set STI targets for following financial year
October	Annual Report	
November	Annual General Meeting	Shareholder approval of LTI to be issued to MD&CEO

DIRECTORS' REPORT**Remuneration report (Audited) - Continued****2. Response to vote against 2013 Remuneration Report**

At the Company's Annual General Meeting of Shareholders convened on 26 November 2013, 69% of votes were in favour of adoption of the 2013 Remuneration Report and 31% against.

As the majority required to pass this resolution was 75%, the motion was not carried and the Company received a "First Strike" against the Remuneration Report.

In these circumstances, the Corporations Act 2001 requires St Barbara to include in this year's Remuneration Report, an explanation of the Board's proposed action in response to that First Strike or, alternatively, if the Board does not propose any action, the Board's reason for such inaction.

In response to the First Strike, St Barbara has considered the views of shareholders and proxy advisors expressed to the Chairman of the Remuneration Committee and senior executives in connection with the 2013 Remuneration Report.

Whilst the majority of shareholders and at least one proxy advisor supported the Report, the principal concern noted was the payment of short term incentives to senior executives in a year when the Company as a whole did not perform well in relation to market guidance nor relative to its peer group.

Since the 2013 Annual General Meeting the Board has taken the following steps:

- reduced Directors fees by 10% from 1 March 2014
- the Short Term Incentive (STI) plan has been amended to include an absolute discretion of the Board to not pay an STI, where the Company's performance has been poor. In FY14 the Board applied its discretion not to award an STI to senior executives.
- the aggregate remuneration payable to senior executives has been reduced in three ways:
 - i) the number of current senior executives is half the number at the time of the 2013 AGM, from six to three as at the date of this report
 - ii) the fixed component of the Managing Director and CEO's remuneration was reduced by 10% from 1 March 2014, and the new Managing Director and CEO, Mr Bob Vassie, commenced with the Company on 1 July 2014 on a fixed remuneration of approximately 20% less than his predecessor
 - iii) the quantum of the allocation of performance rights to the Managing Director and CEO under the FY15 LTI has been reduced by 25%.

In addition, there was no increase to senior executive remuneration during the 2014 financial year. The Board remains confident that St Barbara's remuneration policy and the level and structure of its senior executive remuneration are suitable for the Group and its shareholders.

Second Strike

In the event that at the 2014 Annual General Meeting, votes against adoption of the 2014 Remuneration Report are 25% or more, a Second Strike will occur.

Consequences of a Second Strike

Should a Second Strike occur, the Company is required to put a "spill" resolution to the AGM. In particular this requires a meeting of shareholders either at the same AGM, or at a general meeting of shareholders to be held within 90 days of the AGM, to vote on the re-election of all Non-Executive Directors. Further details of this process will be included in the 2014 Notice of Annual General Meeting.

Significant Board renewal has occurred in the last year. Of the six Directors in office at 22 August 2013 when the 2013 Remuneration Report was released, only two remain in office at the date of this report.

DIRECTORS' REPORT

Remuneration report (Audited) - Continued

Directors in office at date of 2013 Remuneration Report		Directors in office at date of 2014 Remuneration Report	
S J C Wise	Non-Executive Chairman	S J C Wise	Non-Executive Chairman
T J Lehany	Managing Director & CEO	R S Vassie	Managing Director & CEO
D W Bailey	Non-Executive Director	D W Bailey	Non-Executive Director
E A Donaghey	Non-Executive Director	I L Scotland	Non-Executive Director
P C Lockyer	Non-Executive Director	T C Netscher	Non-Executive Director
R K Rae	Non-Executive Director		

3. Decision making authorities for remuneration

Remuneration strategy and policies are approved by the Board. They are aligned with, and underpin, the corporate strategy. 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 Non-Executive Directors, the Managing Director and CEO, and the senior executives named in this report with the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, collectively referred to as Key Management Personnel.

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:

I L Scotland	-	Chair of Committee, Non-Executive Director
D W Bailey	-	Non-Executive Director
S J C Wise	-	Non-Executive Chairman

Mr Robert Rae was Chair of the Remuneration Committee until his resignation as a Director on 28 February 2014. Ms Betsy Donaghey was a member of the Remuneration Committee until her resignation as a Director on 30 June 2014.

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.

DIRECTORS' REPORT

Remuneration report (Audited) - Continued

4. Remuneration structure

(a) Non-Executive Directors

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 compared with those 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 are not directly involved 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 maximum aggregate amount payable to all Non-Executive Directors is approved 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 6 of this report.

(b) Senior Executive Remuneration

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

Under the remuneration system the amount of performance linked 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.

The reward structures for the Group's senior 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
- 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 senior executives is comprised of fixed remuneration and performance linked 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 senior 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.

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

2015

Seniority	Fixed remuneration	At risk remuneration		Total remuneration
		STI ⁽¹⁾	LTI ⁽²⁾	
Level 6 (CEO)	45%	22%	33%	100%
Level 5 (Exec GM)	50%	20%	30%	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 in Section 6.

DIRECTORS' REPORT

Remuneration report (Audited) - Continued

2014

Seniority	Fixed remuneration	At risk remuneration		Total remuneration
		STI ⁽¹⁾	LTI ⁽²⁾	
Level 6 (CEO)	40%	20%	40%	100%
Level 5 (Exec GM)	50%	20%	30%	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 in Section 6.

(i) Fixed Remuneration = Base salary + superannuation + benefits

Fixed remuneration for each senior executive role is reflected against 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 senior executives, fixed remuneration = base salary + superannuation + benefits.

The base salary for each senior 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.

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

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

(ii) Performance Linked Remuneration - Short term incentives (STI)

The STI is an annual "at risk" component of remuneration for senior executives. It is payable based on performance against key performance indicators (KPIs) set at the beginning of the financial year. 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. The proportion of the STI earned is calculated by multiplying the average result of the Group targets with the average result of an individual's performance targets, where target performance equals one. Group and individual targets are established by reference to the Group Strategy. The net amount of any STI after allowing for applicable taxation, is payable in cash.

The calculation of STI earned can be summarised as follows:

STI earned = STI value at risk x (average result of Group STI targets x average result of Individual STI targets), where target performance = 1.

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 2014 financial year STI target for profitability (as measured by EBITDA) 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 senior 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

DIRECTORS' REPORT

Remuneration report (Audited) - Continued

amount to be paid to each senior executive. To assist in making this assessment, the Committee receives detailed reports and presentations on the performance of the business from the Managing Director & CEO and independent remuneration consultants as required. The Board retains overall discretion on whether an STI should be paid in any given year.

Details of the FY14 STI are set out in Section 6 of this report.

(iii) Performance Linked Remuneration - Long term incentives (LTI)

LTIs are structured to reward senior 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. The St Barbara Performance Rights Plan was approved at the 2010 Annual General Meeting.

In considering the LTI awards for the 2014 financial year ("FY14 Performance Rights"), 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, in the opinion of the Board, the same weight in our industry.

Vesting conditions of the Performance Rights issued vary from year to year as approved by the Board and set out in the relevant Notice of Annual General Meeting, but over recent years have comprised measures for:

- total shareholder return
- net growth in ore reserves, as a proxy for increasing mine life
- return on capital employed in excess of the weighted average cost of capital, as a measure of capital efficiency and generation of shareholder value.

Performance rights expire on the earlier of their expiry date, immediately upon the effective resignation date of the relevant senior 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.

Details of the FY14 Performance Rights are set out in Section 6 of this report.

(iv) Summaries of service agreements for senior executives

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

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

All service agreements with senior executives, 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 (to 30 June 2014)

1. Term of agreement – permanent employee, commenced 2 March 2009, ceased as Managing Director and CEO 30 June 2014, completion date 31 August 2014.
2. A termination settlement amount equivalent to four months total fixed remuneration (plus statutory accrued leave entitlements) is payable upon completion on 31 August 2014.

R S Vassie – Managing Director and CEO (from 1 July 2014)

1. Term of agreement – permanent employee, commenced 1 July 2014.
2. Other than for serious misconduct or serious breach of duty, the Company or Mr Vassie may terminate employment at any time with 6 months notice.

The other senior executives 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 total fixed remuneration. Each senior executive may terminate employment at any time with 6 weeks notice.

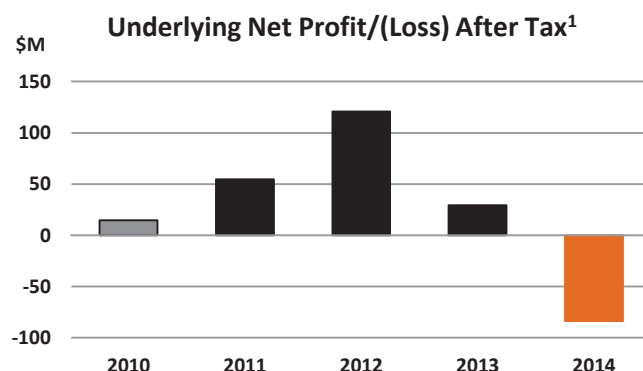
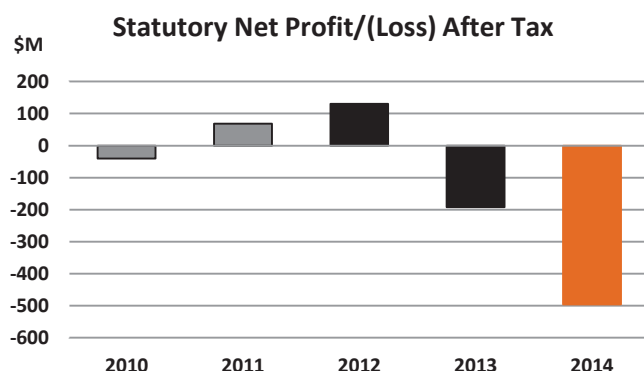
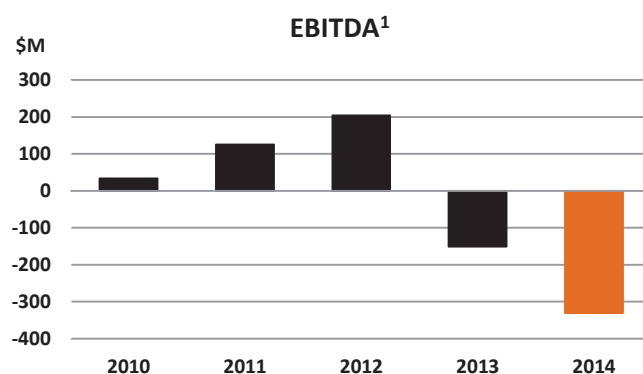
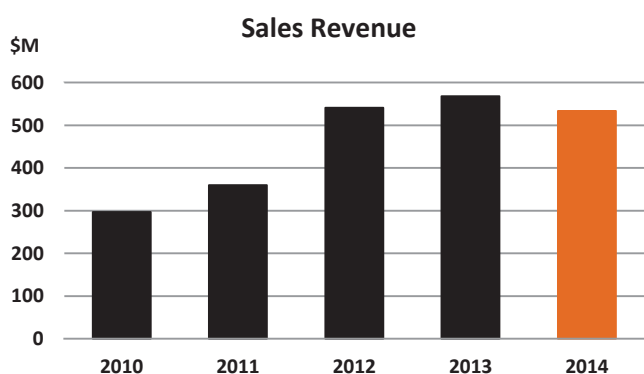
DIRECTORS' REPORT

Remuneration report (Audited) - Continued

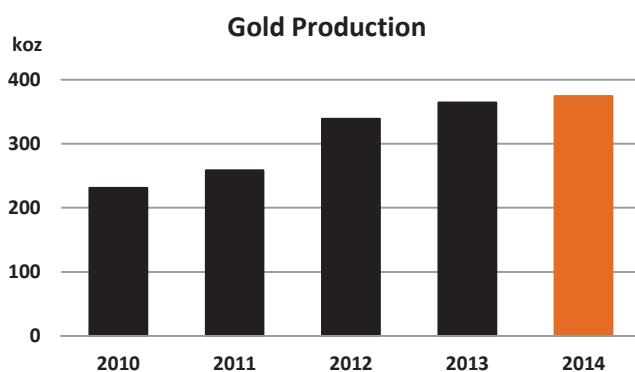
5. Group Performance

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	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000
Sales revenue	296,760	359,575	541,189	568,443	533,828
EBITDA	33,793	125,538	204,034	(150,628)	(331,634)
Statutory net profit/(loss) after tax	(40,188)	68,629	130,230	(191,854)	(500,831)
Underlying net profit/(loss) after tax	14,547	54,431	120,920	29,285	(93,959)



- 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.



DIRECTORS' REPORT

Remuneration report (Audited) - Continued

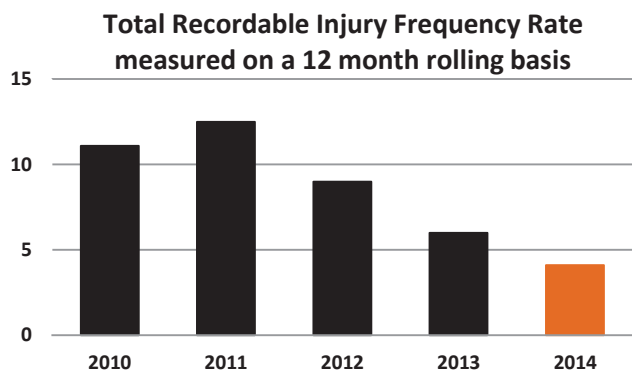
The Board has regard to the overall performance of the Company over a number of years in assessing and ensuring proper alignment of the performance linked "at risk" remuneration framework to deliver fair and proper outcomes consistent with the Company's performance.

The table below provides the share price performance of the Company's shares in the 2014 financial year and the previous four financial years.

Share price history	2010	2011	2012	2013	2014
Period end share price (\$ per share)	2.10	1.96	1.77	0.45	0.115
Average share price for the year (\$ per share)	1.68	2.16	2.12	1.35	0.38

During the 2014 financial year, the Company's daily closing share price ranged between \$0.115 to \$0.93 per share (2013: \$0.40 to \$2.37 per share).

The Company's primary measure of safety performance is the rolling 12-month average of the Total Recordable Injury Frequency Rate. The FY14 result compares favourably with published mining industry TRIFR information.

**6. Remuneration paid 2014**

Details of the remuneration of Key Management Personnel of the Company during the year ended 30 June 2014 are set out in the following tables.

DIRECTORS' REPORT

Remuneration report (Audited) - Continued

2014	Short-term benefits				Long-term benefits			Post-employment benefits	Proportion of total performance related	Value of share based payments as % of total
	Cash salary & fees \$	STI payment \$	Non-monetary benefits ⁽⁴⁾ \$	Other \$	Super-annuation \$	Leave ⁽¹⁾ \$	Share-based payments ⁽²⁾ \$			
<i>Non-Executive Directors</i>										
S J C Wise (Chairman)	221,958	-	12,733 ⁽³⁾	-	17,775	-	-	252,466	-	-
D W Bailey	111,508	-	-	-	10,314	-	-	121,822	-	-
P C Lockyer ⁽⁵⁾	85,559	-	-	-	7,914	-	-	93,473	-	-
R K Rae ⁽⁶⁾	76,909	-	-	-	7,114	-	-	84,023	-	-
E A Donaghey ⁽⁷⁾	103,524	-	-	-	9,576	-	-	113,100	-	-
I L Scotland ⁽⁸⁾	80,163	-	-	-	7,415	-	-	87,578	-	-
T C Netscher ⁽⁹⁾	38,444	-	-	-	3,556	-	-	42,000	-	-
Total Non-Executive Directors	718,065	-	12,733	-	63,664	-	-	794,462	-	-
<i>Executive Director</i>										
T J Leahy ⁽¹⁰⁾	869,465	-	1,933	-	17,775	13,836	158,940	1,061,949	-	15.0%
<i>Senior Executives</i>										
G Campbell-Cowan	469,930	-	1,933	-	17,775	10,573	101,199	601,410	-	16.8%
A Croll ⁽¹¹⁾	307,812	-	1,620	-	11,850	44,794	55,554	621,457	-	8.9%
R Kennedy ⁽¹²⁾	276,997	-	2,101	-	13,331	69,890	41,493	403,812	-	10.3%
K Romeyn	343,530	-	-	-	17,775	9,847	60,796	431,948	-	14.1%
P Uttley ⁽¹³⁾	238,754	-	1,769	-	11,850	93,327	44,388	642,810	-	6.9%
Total Senior Executives	2,506,488	-	9,356	-	90,356	242,267	462,370	452,549	3,763,386	-

(1) For current employees, the amount represents long service leave and annual leave entitlements.

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

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

(4) For executive Key Management Personnel, non-monetary benefits comprise car parking, professional memberships

(5) Mr Lockyer resigned as a Director on 31 March 2014

(6) Mr Rae resigned as a Director on 28 February 2014

(7) Ms Donaghey resigned as a Director on 30 June 2014

(8) Ms Scotland appointed as a Director on 30 September 2013. Ms Scotland has directed for her fees to be paid to nominated charities

(9) Mr Netscher appointed as a Director on 17 February 2014

(10) Mr Leahy resigned as a Director and ceased as MD & CEO on 30 June 2014 and, subject to certain conditions, is entitled to a termination settlement amount of \$275,132 (plus statutory accrued leave entitlements) payable upon completion on 31 August 2014.

(11) Mr Croll ceased as Chief Operation Officer on 29 January 2014

(12) Mr Kennedy's role as Executive General Manager Corporate Services was made redundant on 28 March 2014, and he ceased being a senior executive on that date. He is entitled to a termination settlement amount of \$236,168.

(13) Mr Uttley's role was made redundant on 7 February 2014

DIRECTORS' REPORT

Remuneration report (Audited) - Continued

2013	Short-term benefits				Post-employment benefits			Long-term benefits				Value of share based payments as % of total
	Cash salary & fees \$	STI payment \$	Non-monetary benefits ⁽⁵⁾ \$	Other \$	Super-annuation \$	Leave ⁽²⁾ \$	Share-based payments ⁽³⁾ \$	Termination payments \$	Total \$	Proportion of total performance related		
<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 Leahy	899,330	341,719	6,240	-	16,470	44,238	273,040	-	1,581,037	21.6%	17.3%	
<i>Senior Executives</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 long service leave and annual leave entitlements

(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 executive Key Management Personnel, non-monetary benefits comprise car parking, professional memberships and relocation expenses

DIRECTORS' REPORT

Remuneration Report (Audited) - Continued

(a) Non-Executive Directors Fees

Non-Executive Director fees for the 2014 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.

At the start of the financial year they comprised:

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

The Chairman's fee for the 2014 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.

As part of Group wide cash management measures, Non-Executive Directors fees were reduced by 10% effective from 1 March 2014, resulting in the following lower fees:

- Director fees of \$90,000
- an allowance for chairing a Board Committee of \$15,750
- a fee for serving as a member of a Board Committee of \$7,650

Chairman's fee of \$223,200 (inclusive of all Board Committee commitments), as well as benefits in the form of a car park, mobile telephone allowance and other administrative benefits.

For the second successive year, Directors resolved that individual Director fees will not increase for the subsequent financial year and will remain frozen at the reduced level effective from 1 March 2014. The increase in statutory superannuation from 1 July 2014 will be absorbed within the existing level of Directors fees.

*(b) Senior Executive Remuneration**(i) Fixed Remuneration - Base salary*

In considering remuneration for senior executives for the 2014 financial year, the Remuneration Committee considered reports from McDonald and Company, as well as industry trend data and other relevant remuneration information. There was no increase in fixed remuneration for senior executives in the 2014 financial year, and no increase has been approved for the 2015 financial year.

(ii) Performance Linked Remuneration - Short term incentives (STI)

The Board has discretion whether to pay an STI in any given year, irrespective of whether Company and Individual STI targets have been achieved. In FY14 the Board applied its discretion not to award an STI to senior executives.

The Company STI target measures for the 2014 financial year were equally weighted and comprised:

STI Target	Weighting	Result	
(a) Improve by 25% the Group-wide safety performance (measured by Total Recordable Injury Frequency Rate)	25%	Achieved	TRIFR improved 32% from 6.0 to 4.1
(b) Exceed by 10% the budgeted ⁽¹⁾ underlying profit (measured by EBITDA)	25%	Not achieved	Actual EBITDA below budget EBITDA
(c) Exceed by 30% the budgeted cash flows (measured by the sum of Cash Flows from Operating Activities and Cash Flows from Investing Activities)	25%	Not achieved	Actual cash flow below budget cash flow
(d) Discretionary factor determined by the Board, designed to take into account unexpected events and achievements during the year	25%	Zero	Discretionary factor of zero applied due to Group underperformance

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

DIRECTORS' REPORT

Remuneration Report (Audited) - Continued

Individual performance measures varied according to the individual senior executive's responsibilities, and for the 2014 financial year reflected a range of achievements aligned with the Company strategy. These included measures relating to improving safety, specific integration activities, increasing production volumes and lowering production costs, achieving exploration discoveries and implementing business improvement systems. There was also provision for a discretionary factor for individual performance designed to take into account unexpected events and achievements during the year.

The table below describes the Short Term Incentives available to, and achieved by, executive Key Management Personnel during the year. Amounts shown as "Actual STI" represent the amounts accrued in relation to the 2014 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 2014 financial year.

2014	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 ⁽²⁾	442,637	885,274	Nil	0%	0%	100%
G Campbell-Cowan	194,560	389,120	Nil	0%	0%	100%
A Croll ⁽³⁾	128,613	257,226	Nil	0%	0%	100%
R Kennedy ⁽⁴⁾	115,659	231,318	Nil	0%	0%	100%
K Romeyn	144,522	289,044	Nil	0%	0%	100%
P Uttley ⁽⁵⁾	96,297	192,593	Nil	0%	0%	100%

(1) Inclusive of STI "Target"

(2) Mr Lehany ceased as MD and CEO 30 June 2014, 10% reduction in TFR from 1 March 2014

(3) Mr Croll ceased as a senior executive on 29 January 2014

(4) Mr Kennedy role as EGM Corporate Services was made redundant on 28 March 2014, and he ceased being a senior executive on that date.

(5) Role made redundant on 7 February 2014

- *Performance Linked Remuneration - Long term incentives (LTI)*

FY 12 Performance Rights ended 30 June 2014

The vesting period for the FY12 Performance Rights ended on 30 June 2014. The criteria for the FY12 Performance Rights were published in the Notice of 2011 Annual General Meeting, and comprised a single performance measure of Relative Total Shareholder Return over the 3 year period from 1 July 2011 to 30 June 2014.

The comparator group of companies for the FY12 Performance Rights comprises:

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

The result of the Relative TSR of the FY12 Performance Rights for the period 1 July 2011 to 30 June 2014 was:

Relative TSR Performance	% of Performance Rights to vest	Result
< 50 th percentile	0%	
50 th percentile	50%	St Barbara achieved below the 50 th percentile RTSR, therefore none of the FY12 Performance Rights vest
>50 th & < 75 th percentiles	Pro-rata between 50% & 100%	
75 th percentile and above	100%	

None of the remaining FY12 Performance Rights granted in respect of the FY12 year vested as at 30 June 2014, as they did not meet the minimum Relative Total Shareholder Return performance criteria.

DIRECTORS' REPORT

Remuneration Report (Audited) - Continued

Performance Rights granted as compensation in 2014.*FY14 Performance Rights*

Performance rights issued in 2014 ('FY14 Performance Rights') were granted under the St Barbara Limited Performance Rights Plan approved at the 2010 Annual General Meeting, and details of the performance conditions were set out in the Notice of 2013 Annual General Meeting. Performance rights issued to Mr Lehany, Managing Director & CEO, were also approved by shareholders at the 2013 Annual General Meeting.

Key Features of FY14 Performance Rights

Vesting conditions	Performance conditions (equally weighted) for the three year period commencing 1 July 2013 to 30 June 2016 as set out below, relating to: <ul style="list-style-type: none"> • 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.
Other conditions	Include continuing employment
Issue price	10 day VWAP at start, 30 June 2013, \$0.49
Vesting date	30 June 2016

Details of FY14 Performance Rights

The vesting of performance rights granted in respect of the FY14 Performance Rights is subject to continuing employment as at the vesting date of 30 June 2016, and satisfying performance conditions measured over a three year vesting period from 1 July 2013 to 30 June 2016 as set out below.

(i) Performance rights pricing

The issue price of the performance rights is based on the 10 day volume weighted average price (VWAP) on the ASX of the Company's share price up to, and including, the last business day of the financial period immediately preceding the period that the performance rights relate to.

FY14 Performance Rights are priced at \$0.49 per right, based on the 10 day VWAP up to and including 30 June 2013.

(ii) Performance conditions

The performance conditions for FY14 Performance Rights will be measured over a three year vesting period ending on 30 June 2016. Vesting conditions include continuing employment as at the vesting date of 30 June 2016 and satisfying conditions 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.

The above performance conditions are weighted equally.

(iii) Percentage of relevant total fixed remuneration offered as LTIs for the 2014 financial year

Managing Director and Chief Executive Officer	100%
Executive General Managers	60%
General Managers	45%

The Board has the discretion to vary the relevant percentage each year, having regard to external advice and / or relevant market benchmarks.

(iv) An example of how performance rights are calculated for the 2014 financial year (assuming the maximum award level) is set out below:

Executive Level 5 Total Fixed Remuneration (TFR)	\$400,000 (for illustration only)
LTI award value 60% of TFR	\$240,000 (i.e. 60% of TFR)
Performance rights issue price (10 day VWAP)	\$0.49
Performance rights to be granted ($\$240,000 \div \0.49)	489,796

DIRECTORS' REPORT

Remuneration Report (Audited) - Continued

(v) *Relative TSR*

The Relative Total Shareholder Return (Relative TSR) is measured against a defined peer group of companies which the Board considers compete with the Company 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 Company.

The comparator group of companies for FY14 Performance Rights comprises:

Company

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

At the discretion of the Board, the composition of the comparator group may change from time to time.

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. Where a comparator company ceases to be listed on the ASX during the vesting period, the corresponding TSR is adjusted, taking into account the period the ceasing company was listed and the average TSR of the remaining comparator companies.

The proportion of the FY14 Performance Rights that vest will be influenced by the Company's TSR relative to the comparator group over the three year vesting period commencing 1 July 2013 and ending 30 June 2016 as outlined below:

Relative TSR Performance	% Contribution to the Number of Performance Rights to Vest
Below 50th percentile	0%
50th percentile	50%
Between 50th & 75th percentiles	Pro-rata from 50% to 100%
75th percentile and above	100%

(vi) *Increase in Ore Reserves*

The proportion of the FY14 Performance Rights that vest will be influenced by the Company's increase in Ore Reserves net of production over the three year vesting period commencing 1 July 2013 and ending 30 June 2016 as outlined below:

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

Ore reserves at the start of the three year vesting period on 1 July 2013 were 77,836,000 tonnes @ 2.1 g/t Au for 5,238,000 ounces of contained gold.

DIRECTORS' REPORT

Remuneration Report (Audited) - Continued

(vii) *Return on Capital Employed (ROCE)*

The proportion of the FY 14 Performance Rights that vest will be influenced by the ROCE achieved by the Company over the three year vesting period commencing 1 July 2013 and ending 30 June 2016 as outlined below:

Return on Capital Employed (ROCE)	% Contribution to the Number of Performance Rights to Vest
Less than or equal to the average annual weighted average cost of capital (WACC) over the three year period ending on 30 June 2016	0%
WACC (calculated as above) + 3%	50%
WACC (calculated as above) + 7%	100%

(viii) *Example of calculation of the number of FY14 Performance Rights to vest*

Assuming the following measures over the three year vesting period ending 30 June 2016:

- Relative TSR: 70%
- Increase in Ore Reserves (net of production) 10%
- ROCE WACC + 4%

then the following proportion of performance rights will vest:

- (a) *Relative TSR*
 Actual score: 70th percentile
 Calculation: 50% (for achieving the 50th percentile)
 + $((70\% - 50\%) \div (75\% - 50\%)) \times (100\% - 50\%)$
 = 90%
- (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) *Return on Capital Employed (ROCE)*
 Actual ROCE: WACC + 4%
 Calculation: 50% (for achieving the 50th percentile)
 + $((4\% - 3\%) \div (7\% - 3\%)) \times (100\% - 50\%)$
 = 62.5%
- (d) *Combined score*
 $(90\% + 75\% + 62.5\%) \div 3 = 75.8\%$

Using the above example of an senior executive being issued with 489,796 performance rights based on the above calculations, hypothetically 75.8% would vest, which equals $75.8\% \times 489,796 = 371,265$.

DIRECTORS' REPORT

Remuneration Report (Audited) - Continued

Performance Rights granted in 2014

Details on performance rights over ordinary shares in the Company that were granted as remuneration to each key management person and details of performance rights that vested in the 2014 financial year are as follows:

2014	Number of performance rights granted during 2014	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 FY2014
T Lehany ⁽²⁾	1,871,642	\$0.49	4 Dec 2013	30 Jun 2016	nil	-
G Campbell-Cowan	597,190	\$0.49	29 Nov 2013	30 Jun 2016	nil	-
A Croll ⁽³⁾	676,537	\$0.49	29 Nov 2013	30 Jun 2016	nil	-
R Kennedy ⁽⁵⁾	474,006	\$0.49	29 Nov 2013	30 Jun 2016	nil	-
K Romeyn	442,414	\$0.49	29 Nov 2013	30 Jun 2016	nil	-
P Uttley ⁽⁴⁾	506,945	\$0.49	29 Nov 2013	30 Jun 2016	nil	-

(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*.

(2) Mr Lehany resigned as a Director and ceased as MD and CEO on 30 June 2014

(3) Mr Croll ceased as an executive on 29 January 2014

(4) Role made redundant on 7 February 2014

(5) Mr Kennedy's role as EGM Corporate Services was made redundant on 28 March 2014, and he ceased being a senior executive on that date

Performance Rights On Issue

The numbers of rights over ordinary shares in the Company held directly, indirectly or beneficially during the financial year by each key management person, including their related parties, are set out below:

2014	Held at 1 July 2013	Granted as compensation	Exercised during the year	Other changes during the year	Held at 30 June 2014 ⁽⁵⁾
T Lehany	897,803	1,871,642	-	(2,769,445) ⁽¹⁾	-
G Campbell-Cowan	286,108	597,190	-	(146,472) ⁽⁴⁾	736,826
A Croll	327,345	676,537	-	(1,003,882) ⁽²⁾	-
R Kennedy ⁽⁶⁾	229,130	474,006	-	(118,374) ⁽⁴⁾	n/a
K Romeyn	171,520	442,414	-	(68,171) ⁽⁴⁾	545,763
P Uttley	245,112	506,945	-	(752,057) ⁽³⁾	-

(1) Mr Lehany resigned as a Director and ceased as MD and CEO on 30 June 2014

(2) Mr Croll ceased as an executive on 29 January 2014

(3) Role made redundant on 7 February 2014

(4) Lapsed during the year

(5) The vesting of performance rights held at 30 June 2014 is subject to future performance conditions

(6) Mr Kennedy's role as EGM Corporate Services was made redundant on 28 March 2014, and he ceased being a senior executive on that date..

Valuation of Performance Rights

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 2014 (FY14 Performance Rights), taking into account the impact of the market condition (as discussed above), the estimated fair value was, for accounting purposes, \$nil.

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

DIRECTORS' REPORT

Remuneration Report (Audited) - Continued

Share holdings

The numbers of shares in the Company held directly, indirectly or beneficially during the year by each key management person, including their related parties, are set out below. There were no shares granted during the year as compensation.

Name	Note	Balance at the start of the year	Performance rights vested	Purchased	Sold	Other changes	Balance at the end of the year
<i>Non-Executive Directors</i>							
S J C Wise		1,139,389	-	-	-	-	1,139,389
D W Bailey		130,247	-	-	-	-	130,247
E A Donaghey	(1)	75,000	-	-	-	(75,000)	n/a
P C Lockyer	(3)	75,031	-	-	-	(75,031)	n/a
T C Netscher	(4)	-	-	-	-	-	-
R K Rae	(5)	120,000	-	20,000	-	(140,000)	n/a
I L Scotland	(6)	-	-	16,000	-	-	16,000
<i>Executive Director</i>							
T J Lehany	(2)	200,770	-	-	-	(200,770)	n/a
<i>Senior Executives</i>							
A Croll	(7)	28,150	-	-	-	(28,150)	n/a
G Campbell-Cowan		15,000	-	-	-	-	15,000
R Kennedy	(8)	95,378	-	13,411	-	(108,789)	n/a
P Uttley	(9)	30,000	-	-	-	(30,000)	n/a
K Romeyn		-	-	-	-	-	-

(1) Resigned as a Director 30 June 2014

(2) Resigned as a Director and ceased as MD&CEO 30 June 2014

(3) Resigned as a Director 31 March 2014

(4) Appointed as a Director 17 February 2014

(5) Resigned as a Director 28 February 2014

(6) Appointed as a Director 30 September 2013

(7) Ceased as Chief Operating Officer 29 January 2014

(8) Role as EGM Corporate Services made redundant on 28 March 2014

(9) Role made redundant 7 February 2014

Loans to Directors and senior executives

There were no loans to Directors or senior executives during the financial year 2014.

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 2014 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 2014 was much lower compared with the previous year for Australian Operations. At Leonora, there were two non-compliances externally reported. Ongoing training, education and the implementation of new environmental management practices at the Leonora Operations have contributed to further reductions in the number of environmental incidents, and increases in the internal compliance rates for audits and inspections. None of the reported incidents resulted in adverse impacts on the environment, penalties imposed by regulators or material costs for remediation.

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 operations. Further progress on this will be facilitated through the implementation of the Environmental Management System at each site

DIRECTORS' REPORT**Non-audit services**

During the year the Company did not employ the auditor on any assignments in addition to their statutory audit duties. In the prior year, 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 2014 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;
- No non-audit services were performed in the 2014 financial year and 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 40 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 as noted in this report.

- On 10 July 2014; 75% of forecasted Leonora production from October 2014 to June 2015 was hedged using forward contracts at a strike price A\$1,415/oz
- On 22 August 2014, the Company announced that it was entering into negotiations for the possible transfer of ownership of the Gold Ridge mine to the Solomon Islands Government.

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 27th day of August 2014



Bob Vassie
Managing Director and CEO

DIRECTORS' REPORT

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

To: the Directors of St Barbara Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

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

A handwritten signature in black ink, appearing to read 'KPMG' followed by a stylized signature.

KPMG

A handwritten signature in black ink, appearing to read 'TR' with a large flourish.

Tony Romeo
Partner

Melbourne

27 August 2014

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

Liability limited by a scheme approved under Professional Standards Legislation.

FINANCIAL REPORT

Financial Report Table of Contents

CONSOLIDATED INCOME STATEMENT	42
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	43
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	44
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	45
CONSOLIDATED CASH FLOW STATEMENT	46
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	47
DIRECTORS' DECLARATION	107
INDEPENDENT AUDIT REPORT	108

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 27 August 2014. The Company has the power to amend and reissue the financial report.

FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2014

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
Continuing operations			
Revenue	6	533,828	511,840
Mine operating costs		(395,682)	(318,058)
Gross profit		<u>138,146</u>	<u>193,782</u>
Other revenue	6	1,906	4,072
Other income	7	10,278	3,131
Exploration expensed		(21,297)	(21,144)
Corporate and support costs		(23,634)	(19,253)
Royalties		(20,199)	(18,561)
Depreciation and amortisation	8	(108,691)	(92,812)
Expenses associated with acquisitions	9	-	(17,261)
Net loss on disposal of assets		(791)	-
Other expenditure		(8,409)	(6,287)
Impairment losses and asset write-downs	4,9	(410,556)	(309,170)
Operating loss		<u>(443,247)</u>	<u>(283,503)</u>
Finance costs	8	(44,702)	(22,892)
Foreign exchange gain		1,810	9,122
Net realised/unrealised gain on derivatives	9	2,832	15,703
Loss before income tax		<u>(483,307)</u>	<u>(281,570)</u>
Income tax (expense)/benefit	10	(17,524)	82,517
Loss from continuing operations (net of tax)		<u>(500,831)</u>	<u>(199,053)</u>
Profit from discontinued operations (net of tax)	38	-	7,199
Loss attributable to equity holders of the Company		<u>(500,831)</u>	<u>(191,854)</u>
Earnings per share for continuing and discontinued operations:			
Basic earnings per share (cents per share)	36	(102.61)	(41.92)
Diluted earnings per share (cents per share)	36	(102.61)	(41.92)
Earnings per share for continuing operations:			
Basic earnings per share (cents per share)	36	(102.61)	(43.50)
Diluted earnings per share (cents per share)	36	(102.61)	(43.50)

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 2014

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
Loss for the year		(500,831)	(191,854)
Other comprehensive income			
Items that may be reclassified subsequently to profit/(loss):			
Changes in fair value of available for sale financial assets	25(a)	18	(124)
Changes in fair value of cash flow hedges taken to reserves	25(a)	(4,771)	11,665
Gain on closure of cash flow hedge	25(a)	1,407	-
Income tax on other comprehensive income	25(a)	722	(4,609)
Foreign currency translation differences - foreign operations	25(a)	11,342	(29,614)
Items that will not be reclassified to the consolidated income statement		-	-
Other comprehensive income/(loss) net of tax⁽¹⁾		8,718	(22,682)
Total comprehensive loss attributable to equity holders of the Company		(492,113)	(214,536)

(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 consolidated 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 2014

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
Assets			
Current assets			
Cash and cash equivalents	11	79,407	117,383
Trade and other receivables	12	7,878	23,158
Inventories	13	37,416	63,995
Derivative financial assets	22	-	11,077
Available for sale financial assets	15	105	88
Deferred mining costs	14	27,745	32,411
Total current assets		152,551	248,112
Non-current assets			
Property, plant and equipment	17	153,893	339,861
Deferred mining costs	14	4,235	1,229
Mine properties	18	257,402	288,936
Exploration and evaluation	19	15,036	15,036
Mineral rights	18	25,370	209,957
Deferred tax asset	10	5,859	27,231
Total non-current assets		461,795	882,250
Total assets		614,346	1,130,362
Liabilities			
Current liabilities			
Trade and other payables	20	58,951	88,658
Interest bearing borrowings	21	24,226	42,612
Provisions	23	15,138	16,738
Total current liabilities		98,315	148,008
Non-current liabilities			
Interest bearing borrowings	21	315,350	285,480
Provisions	23	68,869	72,771
Deferred tax liabilities	10	-	876
Total non-current liabilities		384,219	359,127
Total liabilities		482,534	507,135
Net Assets		131,812	623,227
Equity			
Contributed equity	24	886,242	886,242
Reserves	25(a)	(16,988)	(25,002)
Accumulated losses	25(b)	(737,442)	(238,013)
Total equity		131,812	623,227

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

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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 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)	272,967	-	-	-	-	-	272,967
Share-based payments expense	-	963	-	-	-	-	963
Unlisted options expired	-	(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
Balance at 1 July 2013	886,242	1,141	3,627	(156)	(29,614)	(238,013)	623,227
<i>Transactions with owners' of the Company recognised directly in equity:</i>							
Share-based payments expense	-	698	-	-	-	-	698
Unlisted options expired	-	(1,402)	-	-	-	1,402	-
<i>Total comprehensive income for the year</i>							
Loss attributable to equity holders of the Company	-	-	-	-	-	(500,831)	(500,831)
Other comprehensive income/loss	-	-	(2,642)	18	11,342	-	8,718
Balance at 30 June 2014	886,242	437	985	(138)	(18,272)	(737,442)	131,812

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 2014

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
Cash Flows From Operating Activities:			
Receipts from customers (inclusive of GST)		540,050	584,716
Payments to suppliers and employees (inclusive of GST)		(472,501)	(489,297)
Payments for exploration and evaluation		(21,297)	(21,144)
Interest received		1,720	3,811
Interest paid		(26,565)	(5,840)
Finance charges – finance leases		(741)	(403)
Borrowing costs paid		(406)	(815)
Net cash inflow from operating activities	34	20,260	71,028
Cash Flows From Investing Activities:			
Proceeds from sale of property, plant and equipment		1,340	13
Payments for property, plant and equipment		(49,225)	(74,465)
Payments for development of mining properties		(39,971)	(60,850)
Proceeds from sale of discontinued operations	38	1,444	17,648
Payments for business combination	40	-	(206,623)
Net cash outflow from investing activities		(86,412)	(324,277)
Cash Flows From Financing Activities:			
Proceeds from borrowings: finance leases		-	2,503
Proceeds from close out of gold options		8,500	-
Movement in restricted cash		10,378	(11,832)
Gold prepayment facility repayments		(32,399)	(24,554)
Gold prepayment facility repayment/settlement		(36,132)	-
Loans from other entities - drawdown		83,452	-
Loans from other entities – transaction and borrowing costs		(5,841)	-
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)
Principal repayments - finance leases		(4,706)	(4,657)
- insurance premium funding		(4,573)	(1,775)
Net cash inflow from financing activities		18,679	180,662
Net decrease in cash and cash equivalents		(47,473)	(72,587)
Cash and cash equivalents at the beginning of the year		117,383	185,242
Net movement in foreign exchange rates		9,497	4,728
Cash and cash equivalents at the end of the year	11	79,407	117,383

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

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

Note 1	Summary of significant accounting policies	48
Note 2	New Standards adopted	60
Note 3	Financial risk management	62
Note 4	Critical Accounting Estimates and Judgements	68
Note 5	Segment Information	73
Note 6	Revenue	77
Note 7	Other income	77
Note 8	Expenses	78
Note 9	Significant items	79
Note 10	Income tax	80
Note 11	Cash and cash equivalents	82
Note 12	Trade and other receivables	82
Note 13	Inventories	82
Note 14	Deferred mining costs	82
Note 15	Available-for-sale financial assets	83
Note 16	Financial instruments	83
Note 17	Property, plant and equipment	85
Note 18	Mine properties	86
Note 19	Exploration and evaluation	86
Note 20	Trade and other payables	86
Note 21	Interest bearing borrowings	87
Note 22	Derivative financial assets	88
Note 23	Provisions	88
Note 24	Contributed equity	89
Note 25	Reserves and accumulated losses	90
Note 26	Parent Entity disclosures	92
Note 27	Remuneration of auditors	93
Note 28	Contingencies	93
Note 29	Commitments for expenditure	94
Note 30	Related party transactions	95
Note 31	Controlled entities	96
Note 32	Interests in joint arrangements	97
Note 33	Events occurring after the balance sheet date	98
Note 34	Reconciliation of loss after income tax to net cash flows from operating activities	98
Note 35	Non-cash investing and financing activities	98
Note 36	Earnings per share	99
Note 37	Share-based payments	100
Note 38	Discontinued Operations	102
Note 39	Disposal of subsidiary	103
Note 40	Business Combinations	104
Note 41	Goodwill	106

FINANCIAL REPORT

Note 1 Summary of significant accounting policies

St Barbara Limited (the “Company” or “Parent Entity”) 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 2014 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 consolidated 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 Board of Directors approved the financial statements on 27 August 2014.

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 as at 30 June 2014 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, and as a result has an exposure or rights to variable returns, 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 Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated 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 is accounted for in the consolidated financial statements using the equity method and is carried at cost by the Parent Entity.

For joint arrangements in which the Group has rights to the assets, and obligations for the liabilities relating to the arrangements (joint operations), the proportionate interest in assets, liabilities and expenses are incorporated in the consolidated financial statements under the appropriate headings.

For those joint arrangements in which the Group has rights to the net assets of the arrangement (joint ventures), the Group accounts for the investment within the consolidated financial statements using the equity method. Within the separate financial statements of the parent the investment is carried at cost.

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.

Details of unincorporated joint ventures and joint operations are set out in Note 32.

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).

(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 REPORT

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.

(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.

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

FINANCIAL REPORT

amount (see impairment policy, Note 1.10). 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.

(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.

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.

FINANCIAL REPORT

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.

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.

FINANCIAL REPORT

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.

1.9 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.

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

1.11 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.

1.12 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.

1.13 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

FINANCIAL REPORT

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.

1.14 Investments and other financial assets

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

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

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

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

(ii) Available-for-sale financial assets

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

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

1.15 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). The gain or loss relating to the effective

FINANCIAL REPORT

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.

1.16 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.

1.17 Property, plant and equipment

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

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

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 1.10).

FINANCIAL REPORT

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.

1.18 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.

1.19 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.

1.20 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.

1.21 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.

1.22 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.

FINANCIAL REPORT

1.23 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 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.

1.24 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.

FINANCIAL REPORT

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

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

(ii) Diluted earnings per share

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

1.26 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.

1.27 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).

FINANCIAL REPORT

1.28 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.

1.29 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.

1.30 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 2013, 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. AASB 9 Financial Instruments (December 2009), AASB 2010-7 and AASB 2009-11, Amendments to Australian Accounting Standards arising from AASB 9, AASB 2013-9 Amendments to Australian Accounting Standards-Conceptual Framework, Materiality and Financial Instruments (December 2013) Part C; 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 International Accounting Standard Board 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) is effective for annual reporting periods beginning on or after 1 January 2015.
- II. AASB 2012-3 Amendments to Australian Accounting Standards-Offsetting financial assets and financial liabilities*
- Amendments to AASB 132 clarify when an entity has a legally enforceable right to set off financial assets and liabilities permitting entities to present balances net on the balance sheet.

Note 2 New Standards adopted

The Company has adopted the following new and/or revised Standards, Amendments and Interpretations from 1 July 2013:

AASB 2011-4	Amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements. The standard removes the individual key management personnel disclosure requirement in AASB 124 ‘Related Party Disclosures’, as a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.
	In the current year the individual key management personnel disclosure previously required in AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.
AASB 2011-9	Amendments to AASB 1048 arising from the withdrawal of Australian Interpretation 1039. The withdrawal of Australian Interpretation 1039 ‘Substantive enactment of major tax bills in Australia’ does not have any material impact on the consolidated financial statements.
AASB CF 2013-1 and AASB 2013-9	This amendment has incorporated IASB’s Chapter 1 and 3 Conceptual Framework for Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the preparation and presentation of financial statements. The adoption of these amendments does not have a material impact on the consolidated financial statements.

FINANCIAL REPORT

Note 2 New Standards adopted (continued)

AASB 10	Consolidated Financial Statements and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'. AASB 10 introduces a new approach to determining which investees should be consolidated. The adoption of this standard does not have a material impact on the consolidated financial statements.
AASB 11	Joint Arrangements and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'. If parties have rights to and obligations for underlying assets and liabilities, the joint arrangement is considered a joint operation and partial consolidation is applied. Otherwise the joint arrangement is considered a joint venture and they must use the equity method of accounting. The adoption of this standard does not have a material impact on the consolidated financial statements.
AASB 12	Disclosure of Interests in Other Entities and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'. The application of this standard has no material impact on the consolidated financial statements.
AASB 13 and AASB 2011-8	Fair Value Measurement 'Amendments to Australian Accounting Standards arising from AASB 13'. The standard explains how to measure fair value when required by other AASBs. The impact of the change is listed below.
AASB 119 and AASB 2011-10	Employee Benefits (2011) 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'. Amended focus on but not limited to the accounting for defined benefit plans. In addition, it changes the definition of short term and long term employee benefits and some disclosure requirements. The application of these amendments has no material impact on the consolidated financial statements.
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities. The application of this amendment has no material impact on the consolidated financial statements.
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle. The application of this amendment has no material impact on the consolidated financial statements.
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'). The interpretation clarifies that surface mining companies will capitalise production stripping costs that benefit future periods if certain criteria are met. The application of this interpretation had no material impact on the consolidated financial statements.

The Adopted standards with the exception of those noted below have no material impact on the disclosure or the year end financial report.

(a) Impact of the application of AASB 13 and AASB 2011-8

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

FINANCIAL REPORT

Note 2 New Standards adopted (continued)**(a) Impact of the application of AASB 13 and AASB 2011-8 (continued)**

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements. AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period, the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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 that underpin Group Treasury policies and processes. The Treasury Risk Management Committee assists and advises the Group Treasury function, Executive Leadership Team, Audit Committee and Board in discharging their responsibilities in relation to forecasted risk profiles, risk issues, risk mitigation strategies and compliances with Treasury policy. The Group Treasury regularly reports the findings to the Treasury Risk Management Committee and 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. Based upon sensitivity analysis, a movement in the average spot price of gold during the year of +AUD\$100 per ounce/(-AUD\$100 per ounce) would have decreased/(increased) post tax loss by \$16,876,000/(\$16,876,000) respectively.

The Group has managed commodity price risk from time to time by using a combination of AUD denominated gold put options and gold call options to create zero-cost option collar structures and gold forward contracts 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.

FINANCIAL REPORT

Note 3 Financial risk management (continued)*(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 Treasury will manage the interest rate exposures according to the Board approved Treasury policy. Any decision to hedge interest rate risk will be assessed in relation to the overall Group exposure, the prevailing interest rate market, and any funding counterparty requirements. As at 30 June 2014, interest rates on interest bearing liabilities were predominantly fixed as set out in note 16(b).

(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 2014, 6,083 ounces of put options were exercised (2013: call options – 39,252 exercised; put options – 5,417 ounces exercised). During financial year 2014, 6,083 ounces of call options expired (2013: call options – 30,000 ounces expired; put options – 63,835 ounces expired).

In July 2013, the outstanding call options of 104,665 ounces and 104,665 ounces of put options were unwound, with an amount of \$4,771,000 taken to the gold cash flow hedge reserve in the balance sheet to be amortised over the original maturity profile of the options.

(ii) Leonora

In September 2013, the Company entered into a gold forward contract for 240,000 ounces of gold over a twelve-month period to manage Australian dollar gold price risk associated with the estimated production from the Leonora mine at a strike price of A\$1,390 per ounce.

During financial year 2014, 174,544 ounces of gold were delivered to the gold forward contracts. As physical delivery of gold is used to close out forward contracts, it negates the need to measure these contracts at fair value in accordance with AASB 139.

The maturity profile of the gold forward contracts remaining as at 30 June 2014 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>Leonora</i>					
A\$1,390/oz	65,456	65,456	-	-	-

FINANCIAL REPORT

Note 3 Financial risk management (continued)*(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⁾	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
+A\$100 change in AUD spot price	-	(4,771)	-	672
-A\$100 change in AUD spot price	-	7,597	-	(3,497)

(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 2014 was A\$1,407 (2013 - 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 \$nil of the trade receivables carrying amount at 30 June 2014 (2013: \$2,235,000), representing receivables owing from gold sales. 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 2014 were past due.

Credit risks related to cash deposits and derivatives

Credit risk from balances with banks and financial institutions derivative counterparties is managed by the centralised 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 as per the Board approved Treasury Policy. Derivatives transactions cover major 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.

FINANCIAL REPORT

Note 3 Financial risk management (continued)

As at 30 June 2014, USD borrowings of US\$325,000,000 translated at the year end USD:AUD foreign exchange rate to \$344,630,000 (2013: \$273,523,000), excluding capitalised transaction costs of \$14,893,000, were designated as a net investment in foreign operations. Prior to the impairment write down at 30 June 2014, the net investment hedge with the foreign operations was effective. As a result of the impairment write downs, from 1 July 2014, absent the establishment of a new hedging relationship, movements due to foreign currency will no longer be recognised in the foreign currency translation reserve, instead they will be recognised directly in the Income Statement.

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

2014	USD \$'000	PGK \$'000	SBD \$'000
Cash and cash equivalents	25,236	736	335
Trade Receivables	653	1,054	34
Trade payables	(4,673)	(8,827)	(7,576)
Interest bearing liabilities	(325,000)	-	-
Net Exposure	(303,784)	(7,037)	(7,207)

Exposure to Currency

2013	USD \$'000	PGK \$'000	SBD \$'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	(339,011)	(5,267)	(5,234)

The exchange rates at the close of the period were as follows:

Closing rate as at	AUD/USD	AUD/PGK	AUD/SBD
30 June 2014	0.943	2.243	6.843
30 June 2013	0.914	1.917	6.301

FINANCIAL REPORT

Note 3 Financial risk management (continued)**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, PNG Kina and Solomon Island 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 Loss ⁽¹⁾ After Tax (Decrease Loss)/Increase Loss	
	2014 000's	2013 000's
AUD/USD +10%	(30,377)	(25,927)
AUD/USD -10%	30,378	31,688
AUD/PGK +10%	(704)	(479)
AUD/PGK -10%	705	585
AUD/SBD +10%	(722)	(476)
AUD/SBD -10%	719	582

Note (1): There is 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	2014 \$'000	2013 \$'000
Total shareholders' funds	131,812	623,227
Borrowings	339,576	328,092
Cash and cash equivalents	(79,407)	(117,383)
Total capital	391,981	833,936

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

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

Cash and cash equivalents does not include cash held on deposit with financial institutions as security for bank guarantee facilities totalling \$1,577,000 (2013: \$11,955,000) at the reporting date; the reduction reflected the introduction of the Mining rehabilitation Fund Act 2012(WA), which reduced the requirement to hold unconditional performance bonds on deposit.

FINANCIAL REPORT

Note 3 Financial risk management (continued)

The Company has a \$2,000,000 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.

(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. The Group undertakes sensitivity analysis to stress test the operational cash flows, which are matched with capital commitments to assess liquidity requirements. The capital management plan provides the analysis and actions required in detail for the next twelve months and longer term. The maturity of non-current liabilities is monitored within the cash management plan.

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 - 2014					Total contractual cash flows	Carrying amount
	Less than 6 months	6 – 12 months	Between 1 and 5 years	Over 5 years			
Senior Secured Notes ⁽¹⁾	11,764	11,764	335,697	-	359,225	256,048	
Loans from other entities ⁽¹⁾	3,787	23,374	64,602	-	91,763	73,689	
Finance lease liabilities	2,519	2,356	5,492	-	10,367	9,839	
Trade and other payables	58,951	-	-	-	58,951	58,951	
	77,021	37,494	405,791	-	520,306	398,527	

(1) Excluding amortisation of capitalised transaction costs and discount.

\$'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 ⁽¹⁾	12,413	12,143	370,786	-	395,342	262,274	
Gold Prepayment Facility ⁽²⁾	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	

(1) Excluding capitalised transaction costs and discount.

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

FINANCIAL REPORT

Note 3 Financial risk management (continued)**(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.

Fair values

The carrying amounts and the net fair values of financial assets and liabilities of the Group at balance date are set out in the table below:

	2014		2013	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial assets				
- Cash and cash equivalents	79,407	79,407	117,383	117,824
- Restricted cash	1,577	1,577	11,955	11,955
- Receivables	3,733	3,733	7,824	7,824
- Available for sale financial assets	105	105	88	88
- Derivative financial asset	-	-	11,077	11,077
	84,822	84,822	148,327	148,768
Financial liabilities				
- Trade and Other Payables	58,951	58,951	88,658	88,658
- Gold Prepayment Facility	-	-	53,809	53,809
- Senior Secured Notes ⁽¹⁾	265,100	219,420	273,650	253,520
- Loans from other entities ⁽²⁾	79,530	77,573	-	-
- Lease liabilities	9,839	9,839	12,009	12,009
	413,420	365,783	428,126	407,996

(1) The senior secured note amount excludes \$8,136,000 of capitalised transaction costs and \$916,000 discount on notes.

(2) Loans from other entities exclude \$5,841,000 of capitalised transaction costs.

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.

FINANCIAL REPORT

Note 4 Critical Accounting Estimates and Judgements (continued)

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.

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.

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 CGU is determined as the higher of value-in-use or fair value less costs to sell, in accordance with significant accounting policy 1.10. These calculations require the use of estimates, which have been outlined in significant accounting policy 1.10.

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 continued poor performance from the Simberi operations, the cessation of operations at Gold Ridge due to the flooding event in April 2014, and the level of market capitalisation compared with the Group's net assets represented indicators 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 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 of the Group's CGUs, inclusive of those CGUs in which goodwill is recognised.

FINANCIAL REPORT

Note 4 Critical Accounting Estimates and Judgements (continued)**(a) Impairment testing***i. Methodology*

Impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amounts of the CGUs were based on the value-in-use methodology.

Value-in-use 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.

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. 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, operating costs and future capital expenditure. An adverse change in one or more of the assumptions used to estimate value-in-use 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 2014 reporting date carrying value assessments:

	2015-2019	Long term 2020+
Gold (Real US\$ per ounce)	\$1,215/oz - \$1,315/oz	\$1,200/oz
Gold (Real A\$ per ounce)	\$1,397/oz - \$1,413/oz	\$1,410/oz
AUD:USD exchange rate	0.93 declining to 0.85	0.85
Post-tax real discount rate (%) – Australia	9.28	9.28
Post-tax real discount rate (%) – Pacific Operations	11.34	11.34

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 of CGUs, the future cash flows are discounted using rates based on the Group's estimated real post-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 our determination of value in use, there are no unmined resources and exploration estimates included within our valuation.

FINANCIAL REPORT

Note 4 Critical Accounting Estimates and Judgements (continued)*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 identified non-current asset impairments giving a total charge of A\$410,556,000 million after tax (2013: \$309,170,000), comprising the charge at 31 December 2013 of \$42,100,000 and the charge booked at 30 June 2014 of \$368,456,000 (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	7,594	16,748	24,342
Impairments			
Property, plant and equipment	102,846	100,434	203,280
Deferred mining costs	-	3,032	3,032
Mineral rights	104,850	75,052	179,902
Total asset impairment and write-downs	215,290	195,266	410,556
Tax effect			-
Total asset impairments and write downs after tax			410,556

The value-in-use of the Simberi CGU has been predominantly impacted by the operations taking longer and costing more to reach profitable operational performance, and the removal of value initially attributed to estimated near mine exploration included when using the fair value less costs to sell methodology in the prior year.

The value-in-use of the Gold Ridge CGU reflects the current suspension of operations and the uncertainty around future operational capability.

(b) Sensitivity Analysis

After recognising the asset impairment and write downs in respect of the Simberi and Gold Ridge CGUs, the recoverable amount of these assets is assessed as being equal to their carrying amount as at 30 June 2014.

Any variation in the key assumptions used to determine recoverable amount may result in a change of the assessed recoverable amount. If the variation in assumption had a negative impact on recoverable amount 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 recoverable amount of each CGU in its functional currency that has been subject to impairment in the 2014 statutory accounts:

Decrease in recoverable amount resulting from:	Simberi \$'000	Gold Ridge ⁽¹⁾ \$'000
US\$100/oz decrease in gold price	52,293	-
0.50% increase in discount rate	1,304	-

(1) Production assumed to be zero, reflecting the current operational environment.

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 decline in the USD gold price could be 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.

FINANCIAL REPORT

Note 4 Critical Accounting Estimates and Judgements (continued)*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 1.26, 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 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 2014, 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

Estimates of future taxable profits are based on forecast cash flows from operations. At 30 June 2014 losses not recognised amounted to \$150,723,000 (tax effected) relating to Pacific Operations entities in 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

In prior periods, fair value of gold options bought and sold, have been determined using a 'Level 2' valuation method involving the use of a generally accepted option valuation model: inputs were 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 required the use of estimates and assumptions. Any changes in assumptions in relation to gold prices and volatilities could have had a material impact on the fair valuation attributable to the gold collar structure in prior periods. 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.

FINANCIAL REPORT

Note 4 Critical Accounting Estimates and Judgements (continued)*ix. Onerous provision*

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 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. During February 2014, the provision balance of \$6,840,000 relating to Gold Ridge production was released to the Income Statement following the refinancing of the Gold Prepayment Facility with RK Mine Finance, which resulted in the cancellation of the purchase agreement with respect to Gold Ridge. The remaining provision of \$4,602,000 relating to Simberi production will be released to the Income Statement over the life of the contract.

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 three operational business units: Leonora Operations, Gold Ridge Operations and Simberi Operations. The operational business units are managed separately due to their separate geographic regions.

The Leonora Operations comprise underground gold mining operations in Western Australia, consisting of the Leonora processing plant, and the Gwalia and King of the Hills mines which were previously reported as separate reportable segments. Amendments to the operations' reporting structure in the year has changed the focus of review; reflected in the segment table below. The Simberi and Gold Ridge open pit gold mines were added as reportable segments in the prior year as a result of the acquisition of Allied Gold Mining Plc from 7 September 2012.

The Group's Executive Leadership Team reviews the results of all operations regularly, 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.

FINANCIAL REPORT

Note 5 Segment Information (continued)

	Leonora		Gold Ridge		Simberi		Total from continuing operations	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	401,820	372,156	71,058	70,202	60,950	69,482	533,828	511,840
Mine operating costs	(206,809)	(177,874)	(97,818)	(74,995)	(91,055)	(65,188)	(395,682)	(318,057)
Gross profit	195,011	194,282	(26,760)	(4,793)	(30,105)	4,294	138,146	193,783
Royalties ⁽¹⁾	(15,903)	(14,715)	(2,932)	(2,283)	(1,364)	(1,563)	(20,199)	(18,561)
Impairment losses	-	-	(195,266)	(109,522)	(215,290)	(199,648)	(410,556)	(309,170)
Depreciation and amortisation	(80,938)	(64,105)	(13,071)	(10,722)	(11,554)	(15,166)	(105,563)	(89,993)
Reportable segment profit/(loss) before income tax	98,170	115,462	(238,029)	(127,320)	(258,313)	(212,083)	(398,172)	(223,941)
Capital expenditure	(45,541)	(67,305)	(8,203)	(14,732)	(32,254)	(47,074)	(86,036)	(129,111)
Reportable segment - assets ⁽²⁾	402,486	437,929	6,952	198,746	102,263	303,207	511,701	939,882
Reportable segment - non-current assets ⁽²⁾	355,736	419,381	-	175,136	87,575	274,989	443,311	869,506
Reportable segment - liabilities ⁽²⁾	36,661	17,874	31,918	47,895	40,508	53,175	109,087	118,944

(1) Royalties include state and government royalties and corporate royalties

(2) Represents the reportable segment balances after the asset impairment and write down charge.

FINANCIAL REPORT

Note 5 Segment Information (continued)

Major Customer

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

	Revenue		% of external revenue	
	2014 \$'000	2013 \$'000	2014 %	2013 %
Customer A	60,460	114,190	11.3	20.5
Customer B	35,279	106,099	6.6	19.0
Customer C	49,857	137,460	9.3	24.6
Customer D	264,043	74,903	49.5	13.4
Customer E	67,665	71,330	12.7	12.8

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

	Consolidated	
	2014 \$'000	2013 \$'000
<i>Continuing operations</i>		
Revenues and other income		
Total revenue for reportable segments	533,828	511,840
Other revenue	1,906	4,072
Other income	10,278	3,131
Consolidated revenue and other income – continuing operations	546,012	519,043

	Consolidated	
	2014 \$'000	2013 \$'000
<i>Continuing operations</i>		
Loss		
Total loss for reportable segments	(398,172)	(223,941)
Other income and revenue	12,184	7,203
Exploration expensed	(21,297)	(21,144)
Unallocated depreciation and amortisation	(3,128)	(2,819)
Finance costs	(44,702)	(22,892)
Net fair value movements on gold options	-	15,703
Amortisation of realised gain on settled hedges	2,832	-
Corporate and support costs	(23,634)	(19,253)
Foreign exchange gain	1,810	9,122
Loss on disposal of assets	(791)	-
Expenditure associated with acquisitions	-	(17,261)
Other expenses	(8,409)	(6,288)
Consolidated loss before income tax – continuing operations	(483,307)	(281,570)

FINANCIAL REPORT

Note 5 Segment Information (continued)

	Consolidated	
	2014 \$'000	2013 \$'000
Assets		
Total assets for reportable segments	511,701	939,882
Cash and cash equivalents	76,888	109,446
Trade and other receivables	7,167	21,637
Available for sale financial assets	105	88
Inventories	3	3,077
Property, plant & equipment	6,857	11,437
Derivative financial assets	-	11,077
Net deferred tax assets	5,859	27,231
Other assets	5,766	6,487
Consolidated total assets	614,346	1,130,362

	Consolidated	
	2014 \$'000	2013 \$'000
Liabilities		
Total liabilities for reportable segments	109,087	118,944
Trade and other payables	29,220	53,203
Interest bearing liabilities (current)	24,226	42,612
Provisions (current)	4,106	4,989
Interest bearing liabilities (non-current)	315,350	285,480
Provisions (non-current)	545	1,031
Net deferred tax liabilities	-	876
Consolidated total liabilities	482,534	507,135

FINANCIAL REPORT

Note 5 Segment Information (continued)

	Year ended 30 June 2014		
	Reportable segment totals \$'000	Unallocated \$'000	Consolidated totals \$'000
Other material items – continuing operations			
Depreciation and amortisation	(105,563)	(3,128)	(108,691)
Capital Expenditure	(86,036)	(3,160)	(89,196)

	Year ended 30 June 2013		
	Reportable segment totals \$'000	Unallocated \$'000	Consolidated totals \$'000
Other material items			
Depreciation and amortisation	(89,993)	(2,819)	(92,812)
Capital Expenditure	(129,111)	(2,581)	(131,692)

Note 6 Revenue

	Consolidated	
	2014 \$'000	2013 \$'000
<i>Sales revenue-continuing operations</i>		
Sale of gold	530,954	508,695
Sale of silver	2,874	3,145
	533,828	511,840
<i>Other revenue</i>		
Interest revenue	1,720	3,811
Sub-lease rental	186	261
	1,906	4,072
Revenue from continuing operations	535,734	515,912
Revenue from discontinued operations (note 38)	-	56,603

Note 7 Other income

	Consolidated	
	2014 \$'000	2013 \$'000
Profit on sale of assets	49	14
Royalties	1,565	338
Write back of onerous provision (Note 9)	6,840	-
Contingent consideration received on sale of Southern Cross (Note 9)	1,444	-
Other income	380	2,779
Other income from continuing operations	10,278	3,131

FINANCIAL REPORT

Note 8 Expenses

	Consolidated	
	2014	2013
	\$'000	\$'000
(Loss)/Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	2,632	2,952
Plant and equipment	27,003	25,491
	29,635	28,443
<i>Amortisation</i>		
Mine properties and mine development costs	70,783	53,597
Deferred waste stripping	33	-
Other mineral assets	5,232	9,346
Capitalised borrowing costs	722	682
Plant/equipment finance leases	2,286	744
	79,056	64,369
<i>Total depreciation & amortisation – continuing operations</i>	108,691	92,812
<i>Finance Costs</i>		
Interest paid/payable	26,565	13,055
Borrowing costs	3,575	7,972
Finance lease interest	741	403
Fair value movement in gold prepayment facility	10,800	(2,083)
Provisions: unwinding of discount	3,021	3,545
	44,702	22,892
<i>Employee related expenses</i>		
Wages and salaries	89,476	70,119
Contributions to defined contribution superannuation funds	6,932	5,520
Equity settled share-based payments (note 25(a))	698	963
	97,106	76,602
<i>Rental expense relating to operating leases</i>		
Lease payments	2,074	1,781

FINANCIAL REPORT

Note 9 Significant items

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

	Consolidated	
	2014	2013
	\$'000	\$'000
<u>Continuing operations</u>		
Impairment losses (Note 4)	(410,556)	(309,170)
Included within net realised/unrealised gains on derivatives		
Net unrealised gain on gold cash flow hedges	-	14,205
Realised gain on gold cash flow hedges ⁽¹⁾	2,832	1,498
	<u>2,832</u>	<u>15,703</u>
Included within borrowing costs ⁽²⁾		
Borrowing costs written off	(640)	(5,678)
Expenses associated with acquisitions		
Integration costs	-	(7,268)
Allied Gold acquisition costs	-	(7,862)
Redundancy costs	-	(2,131)
	<u>-</u>	<u>(17,261)</u>
Redundancy costs ⁽³⁾		
Within Mine operating costs	(1,619)	-
Within Exploration expenses	(842)	-
Within Corporate and support costs	(2,752)	-
	<u>(5,213)</u>	<u>-</u>
Included within other income		
Onerous provision written back ⁽⁴⁾	6,840	-
Contingent consideration received on sale of Southern Cross ⁽⁵⁾	1,444	-
	<u>8,284</u>	<u>-</u>
Total significant items for continuing operations – pre tax	(405,293)	(316,406)
Total significant items for continuing operations – post tax	(406,872)	(228,338)
<u>Discontinued operations (see note 38)</u>		
Profit on sale of Southern Cross	-	22,109
Results from Southern Cross Operations	-	(11,250)
Total significant items for discontinued operations – pre tax	-	10,859
Total significant items for discontinued operations – post tax	-	7,199
Total significant items – pre tax	(405,293)	(305,547)
Total significant items – post tax	(406,872)	(221,139)

(1) *Net realised/unrealised gain from gold cash flow hedges*

Represents the amount of the gain from the close out of the gold option collar amortised during the year. The collar was closed out in July 2013 for cash proceeds of \$8.5 million, resulting in a gain of \$4.2 million. In accordance with accounting standards, this gain is deferred to an equity reserve and amortised over the original maturity profile of the collar tranches closed out.

(2) *Capitalised borrowing cost written off*

In the current year, as a result of the restructuring of the Gold Prepayment Facility, the borrowing costs associated with the Facility were written off to the Income Statement.

FINANCIAL REPORT

Note 9 Significant items (continued)*(3) Redundancy costs*

During the year, the Group restructured its Simberi operation, and Corporate and Discovery & Growth structures, resulting in redundancy payments.

(4) Onerous provision written back

On acquisition of Allied Gold a provision was raised for an onerous provision relating to the sale of 30% of the production from Simberi and Gold Ridge with RK Mine Finance, using a spot gold price selected from the twelve days prior to settlement of the gold sale. During February 2014, the provision relating to Gold Ridge production was released following the refinancing of the Gold Prepayment Facility with RK Mine Finance, which resulted in the cancellation of the purchase agreement with respect to Gold Ridge.

(5) Southern Cross disposal proceeds

During the year, the Company received \$1.5 million (excluding transaction costs) from Hanking Gold Mining Pty Ltd in relation to the sale of the Group's Southern Cross operations in the prior financial year. The proceeds were contingent consideration received upon satisfaction of certain undertakings by the Company.

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

	Consolidated	
	2014	2013
	\$'000	\$'000
Current tax (benefit)/expense	(4,923)	32,884
Under/(Over) provision in respect of the prior year	705	(3,555)
Deferred income tax expense/(benefit)	21,742	(108,186)
Total income tax expense/(benefit) for continued and discontinued operations	17,524	(78,857)
Comprising of:		
Income tax expense/(benefit) for continued operations	17,524	(82,517)
Income tax expense for discontinued operations	-	3,660

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

	Consolidated	
	2014	2013
	\$'000	\$'000
Loss before income tax benefit – continuing operations	(483,307)	(281,570)
Tax at the Australian tax rate of 30%	(144,992)	(84,471)
Tax effect of amounts not deductible/(taxable) in calculating taxable income:		
Legal and other non-deductible expenditure	270	496
Equity settled share based payments	209	290
Transaction costs treated as capital cost base	-	2,960
Sundry items	(2,116)	3,106
Utilisation of previously unbooked tax losses	-	(36)
Recognition of previously unbooked tax losses	-	(2,519)
Change in fair value of assets acquired	-	(5,637)
Research and development incentive (prior year)	-	(3,555)
Research and development incentive (current year)	(9,183)	(6,792)
Impairment – Goodwill	-	1,202
Non-recognition/reversal of DTAs relating to impairments	126,644	-
Current year losses not recognised and prior year DTAs	46,692	12,439
Income tax expense/(benefit)	17,524	(82,517)

FINANCIAL REPORT

Note 11 Cash and cash equivalents

	Consolidated	
	2014	2013
	\$'000	\$'000
Cash at bank and on hand	68,985	25,755
Term deposits	10,422	91,628
	79,407	117,383

(a) Cash at bank and on hand

Cash at bank at 30 June 2014 invested "at call" was earning interest at an average rate of 2.7% per annum (2013: 2.0% per annum).

(b) Term Deposits

The deposits at 30 June 2014 were earning interest at rates of between 3.5% and 3.6% per annum (2013: rates of between 3.7% and 4.25% 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 2014, the average time to maturity was 69 days (2013: 40 days), with \$nil maturing between 90 to 180 days (2013: \$34,583,000) from balance date.

Note 12 Trade and other receivables

	Consolidated	
	2014	2013
	\$'000	\$'000
Current assets		
Trade receivables	661	3,919
Other receivables	3,072	3,905
Restricted cash ⁽¹⁾	1,577	11,955
Prepayments	2,568	3,379
	7,878	23,158

(1) Cash held on deposit with the Commonwealth Bank of Australia secures \$98,000 for bank guarantees as at 30 June 2014 (2013: \$123,000) and the remaining \$1,479,000 (2013: \$11,832,000) 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.

Note 13 Inventories

	Consolidated	
	2014	2013
	\$'000	\$'000
Consumables	17,716	41,972
Ore stockpiles	1,241	4,351
Gold in circuit	11,141	7,915
Bullion on hand	7,318	9,757
	37,416	63,995

(a) Lower of cost and net realisable value

At 30 June 2014, ore stockpiles, gold in circuit and consumables are net of impairment losses as disclosed in Note 4. Bullion on hand of \$7,318,000 was valued at net realisable value (2013: \$9,757,000).

Note 14 Deferred mining costs

	Consolidated	
	2014	2013
	\$'000	\$'000
Current		
Deferred operating mine development	27,745	32,411
Non-current		
Deferred operating mine development	4,235	1,229

FINANCIAL REPORT

Note 15 Available-for-sale financial assets

	Consolidated	
	2014	2013
	\$'000	\$'000
Current		
At beginning of year	88	154
Additions	-	51
Revaluation gain/(loss) taken to equity	18	(124)
Effects of movement in exchange rates	(1)	7
	105	88

(a) Listed securities

Available-for-sale financial assets as at 30 June 2014 consisted of publicly traded shares in companies listed on the Australian Securities Exchange.

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.

2014	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	68,985	10,422	-	-	79,407
Restricted cash and cash equivalents	-	1,577	-	-	1,577
Receivables	-	-	-	3,733	3,733
Available for sale financial assets	-	-	-	105	105
	68,985	11,999	-	3,838	84,822
Weighted average interest rate	1.51%	3.55%	n/a	n/a	
Financial liabilities					
Trade and other payables	-	-	-	58,951	58,951
Finance lease liabilities	-	4,301	5,359	179	9,839
Loans from other entities	73,689	-	-	-	73,689
Senior secured notes	-	-	256,048	-	256,048
	73,689	4,301	261,407	59,130	398,527
Weighted average interest rate	8.50%	6.71%	8.83%	n/a	
Net financial assets/(liabilities)	(4,704)	7,698	(261,407)	(55,292)	(313,705)

FINANCIAL REPORT

Note 16 Financial instruments (continued)

(b) Interest Rate Risk Exposures (continued)

2013	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	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)

The Group determines fair values of various financial assets and financial liabilities as listed below.

a) Fair value of the Group's financial asset and liabilities that are measured at fair value on a recurring basis:

The Group has financial assets and liabilities measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these assets are assessed.

Financial assets/liabilities	Fair value as at		Fair Value hierarchy	Valuation technique and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	30/06/14	30/06/13				
Available for sale financial assets (shares)	\$105,000	\$88,000	Level 1	Quoted bid price in an active market	N/A	N/A
Gold cap/floor liability	Nil	(\$5,163,071)	Level 2	Model based upon market observable data	N/A	N/A
Gold Forward asset	Nil	\$12,289,727	Level 2	Model based upon market observable data	N/A	N/A

The Group has senior secured notes and other loans valued at amortised cost, the fair values of which would be determined using models based upon market observable data; a level 2 fair valuation methodology under AASB 13.

FINANCIAL REPORT

Note 17 Property, plant and equipment

	Consolidated	
	2014	2013
	\$'000	\$'000
Non-current – net written down value		
Land and buildings	19,124	33,137
Plant and equipment	134,769	306,724
	153,893	339,861

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

	Consolidated	
	2014	2013
	\$'000	\$'000
Land and buildings		
At the beginning of the year	33,137	18,405
Additions	241	802
Additions due to business combination (refer Note 40)	-	27,352
Depreciation	(2,632)	(2,952)
Disposals	-	(1,295)
Asset impairments and write downs	(11,450)	(9,175)
Effects of movement in foreign exchange rates	(172)	-
At the end of the year	19,124	33,137
Plant and equipment		
At the beginning of the year	306,724	85,523
Additions	50,465	90,525
Additions due to business combination (refer Note 40)	-	293,261
Disposals	(2,082)	(3,735)
Depreciation	(27,003)	(27,341)
Amortisation of leased assets	(2,286)	(744)
Asset impairments and write downs	(191,830)	(137,544)
Effects of movement in foreign exchange rates	781	6,779
At the end of the year	134,769	306,724
Total	153,893	339,861

(a) Security

As at 30 June 2014, plant and equipment with a carrying value of \$3,141,000 (2013: \$11,459,000) was pledged as security for finance leases (Note 21). In accordance with the security arrangements the senior secured notes and loans from RK Mine Finance are secured by the assets of St Barbara Limited; the security does not include the assets of the Pacific operations.

FINANCIAL REPORT

Note 18 Mine properties

	Consolidated	
	2014 \$'000	2013 \$'000
Non-current		
Mine Properties - development		
At beginning of the year	288,936	289,647
Direct expenditure	39,971	60,850
Amortisation for the year	(71,505)	(54,279)
Amortisation for discontinued operations	-	(6,352)
Impairment losses and write downs	-	(930)
At end of the year	257,402	288,936
Mineral rights		
At the beginning of the year	209,957	-
Additions due to business combination (refer Note 40)	-	336,450
Reallocation of purchase price on business combination	547	-
Amortisation	(5,232)	(9,346)
Impairment losses and write downs	(179,902)	(117,147)
At the end of the year	25,370	209,957

Note 19 Exploration and evaluation

	Consolidated	
	2014 \$'000	2013 \$'000
Non-current		
Exploration and evaluation		
At beginning of the year	15,036	15,474
Disposals	-	(438)
At end of the year	15,036	15,036

Note 20 Trade and other payables

	Consolidated	
	2014 \$'000	2013 \$'000
Current		
Trade payables	56,597	85,474
Other payables	2,354	3,184
	58,951	88,658

FINANCIAL REPORT

Note 21 Interest bearing borrowings

	Consolidated	
	2014	2013
	\$'000	\$'000
Current		
Secured		
Lease liabilities (Note 29)	4,343	4,218
Loans from other entities	19,883	-
Gold prepayment facility	-	38,394
Total current	24,226	42,612
Non-current		
Secured		
Lease liabilities (Note 29)	5,496	7,791
Senior secured notes (net of transaction costs)	256,048	262,274
Loans from other entities	53,806	-
Gold prepayment facility	-	15,415
Total non-current	315,350	285,480
Total interest bearing liabilities	339,576	328,092

Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in Note 3 and Note 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 performance bonds. At 30 June 2014, restricted cash for this purpose amounted to \$1,577,000 (2013: \$11,955,000).

Gold prepayment facility

The gold prepayment facility comprised a gold loan and an embedded derivative which were settled concurrently with each repayment, and therefore disclosed as a single financial liability measured at fair value. The gold prepayment facility was repaid through the delivery of gold ounces in accordance with a monthly amortisation profile. The gold prepayment facility was settled in March 2014.

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 2014. The related transaction costs capitalised against the borrowings amounted to \$10,956,151 and are being amortised over the period to 15 April 2018.

Loans from other entities

In March 2014, SBM executed a US\$75 million loan facility with RK Mine Finance. The first tranche of US\$52,775,000 was drawn down on 7 March 2014 to settle the Gold Prepayment Facility of US\$31,490,000 and to strengthen the cash position of the Group. The second tranche of US\$22,225,000 was drawn down on 30 May 2014. The facility is for 33 months and capital will be repaid quarterly starting in March 2015. The agreed interest rate for the facility is the 3 month London Interbank Offered Rate ("LIBOR") plus 7.5% p.a. The LIBOR has a floor of 1%p.a. The facility is secured by the Group's Australian assets under the existing senior secured notes security trust structure and has priority payment status. The related transaction costs capitalised against the loan amounted to \$5,840,563 and are being amortised over the period to 31 December 2016.

FINANCIAL REPORT

Note 22 Derivative financial assets

	Consolidated	
	2014 \$'000	2013 \$'000
Current assets		
Fair value of gold option collar	-	11,077

(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, the Group obtained an independent valuation of each option tranche within each collar. The valuation was performed using a generally accepted option valuation model where inputs were based on market observable data for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Each tranche was then classified as a current or non-current asset or liability accordingly.

Note 23 Provisions

	Consolidated	
	2014 \$'000	2013 \$'000
Current		
Employee benefits – annual leave	4,153	4,828
Employee benefits – long service leave	2,446	1,658
Provision for redundancy payments	1,340	-
Provision for rehabilitation	1,015	2,383
Other provisions	6,184	7,869
	15,138	16,738

	Consolidated	
	2014 \$'000	2013 \$'000
Non-current		
Provision for rehabilitation	62,857	58,713
Employee benefits - long service leave	2,010	2,600
Other provisions	4,002	11,458
	68,869	72,771

	Consolidated	
	2014 \$'000	2013 \$'000
Movements in Provisions		
Rehabilitation		
Balance at start of year	61,096	33,765
Additions due to business combination	-	26,544
Reduction in provision due to Southern Cross disposal	-	(16,852)
Unwinding of discount	3,021	3,545
Provisions made during the year	-	13,647
Provisions used during the year	(50)	(3,737)
Effects of movements in the foreign exchange rate	(195)	4,184
Balance at end of year	63,872	61,096

FINANCIAL REPORT

Note 23 Provisions (continued)

Other provisions included a provision booked at fair value on acquisition of Allied Gold Plc in recognition of specific arrangements for the sale of gold production from the Simberi and Gold Ridge mines under the terms of the Gold Prepayment Facility. The Gold Prepayment Facility dictated that the counterparty to the this Facility has the right to purchase 30% of the Simberi and Gold Ridge production (over and above the commitment to deliver to the repayment of the Facility) for five years, and 25% for the following five years, using a spot gold price selected from the twelve days prior to settlement of the gold sale. The Gold Prepayment Facility was restructured during the current year, resulting in liquidation of such right in relation to Gold Ridge production. Consequently, the provision balance of \$6,840,000 relating to the Gold Ridge right was written back to the Income Statement.

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

	2014	2013	2014	2013
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid ⁽¹⁾	488,074,077	488,074,077	886,242	886,242

(1) The Company does not have par value in respect of its issued shares. All issued shares are fully paid.

(b) Movements in ordinary share capital:

Date	Details	Number of shares	\$'000
1 July 2013	Opening balance	488,074,077	886,242
	<i>Nil movement during the year</i>		
30 Jun 2014	Closing balance	488,074,077	886,242

(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.

FINANCIAL REPORT

Note 25 Reserves and accumulated losses

(a) Reserves

	Consolidated	
	2014 \$'000	2013 \$'000
Reserves		
Share based payment reserve	437	1,141
Investment fair value reserve	(138)	(156)
Gold hedge and other cash flow reserves	985	3,627
Foreign currency translation reserve	(18,272)	(29,614)
	(16,988)	(25,002)
	Consolidated	
	2014 \$'000	2013 \$'000
<i>Share based payments reserve</i>		
Balance at start of year	1,141	2,996
Option/performance rights expense	698	963
Option/performance rights expired and transferred to retained earnings	(1,402)	-
Option/performance rights not vesting	-	(2,818)
Balance at end of year	437	1,141
<i>Investments fair value reserve</i>		
Balance at start of year	(156)	(67)
Fair value adjustment	18	(124)
Tax effect of fair value adjustments	-	35
Balance at end of year	(138)	(156)
<i>Gold cash flow hedge reserve</i>		
Balance at start of year	3,627	(3,394)
Options exercised/expired	(4,771)	(1,711)
Fair value adjustments	-	13,376
Gain on settlement of the hedge	1,407	-
Tax effect of fair value and other movements	722	(4,644)
Balance at end of year	985	3,627
<i>Foreign currency translation reserve</i>		
Balance at start of year	(29,614)	-
Movement during the year	11,342	(29,614)
Balance at end of year	(18,272)	(29,614)

(b) Accumulated losses

Movements in accumulated losses were as follows:

	Consolidated	
	2014 \$'000	2013 \$'000
Balance at start of year	(238,013)	(48,977)
Loss attributable to members of the Company	(500,831)	(191,854)
Transferred from share based payment reserve	1,402	2,818
Balance at end of year	(737,442)	(238,013)

FINANCIAL REPORT

Note 25 Reserves and accumulated losses (continued)**(c) Share based payments reserve**

The share based payments reserve is used to recognise the fair value rights issued to executives and employees but not exercised. During the year, \$1,402,000 previously recognised in the share based payment reserve for 1,437,646 performance rights which expired during the year were transferred as a gain to accumulated losses (2013: gain of \$2,818,000 for expired options). 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 reserves

In the prior year, a mark-to-market valuation of the Group's gold bought put options and sold call options (the "collar structure") was performed. Where the hedge was effective, changes in fair value relating to the intrinsic portion of the valuation were recognised in the gold cash flow hedge reserve. The cashflow reserve balance as at June 2014 represents the amount of the gain from the close out of the gold option collar unamortised during the year. The collar was closed out resulting in a gain, which was deferred to an equity reserve and is amortised in accordance with the original maturity profile of the collar tranches closed out (refer Note 9).

(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.

FINANCIAL REPORT

Note 26 Parent Entity disclosures

As at, and throughout, the financial year ended 30 June 2014, the parent company of the Group was St Barbara Limited.

(a) Financial statements

	Parent Entity	
	2014 \$'000	2013 \$'000
Results of the parent entity		
Loss after tax for the year	(489,261)	(196,307)
Other comprehensive income	(2,642)	11,549
Total comprehensive income for the year	(491,903)	(184,758)

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

	Parent Entity	
	2014 \$'000	2013 \$'000
Financial position of the parent entity at year end		
Current assets	128,833	186,060
Total assets	657,655	986,127
Current liabilities	77,231	64,079
Total liabilities	515,729	348,950
Total equity of the parent entity comprising:		
Share capital	886,242	886,242
Share based payments reserve	435	1,141
Investment fair value reserve	(148)	(148)
Gold cash flow hedge reserve	985	3,627
Accumulated losses	(745,588)	(253,685)
Total equity	141,926	637,177

(b) Parent entity contingencies

Refer to Note 28 for contingent liabilities which may impact the parent entity.

(c) Parent entity guarantees

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

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

	Parent Entity	
	2014 \$'000	2013 \$'000
Contracted but not yet provided for and payable		
Within one year	-	-

FINANCIAL REPORT

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	
	2014	2013
	\$	\$
(a) Assurance services ⁽¹⁾		
<i>Audit and audit related services</i>		
KPMG		
Audit and review of financial reports	552,725	527,500
Total remuneration for audit and audit related services	552,725	527,500
(b) Non-audit services ⁽²⁾		
KPMG		
Services relating to the senior secured note issue	-	364,208
Total remuneration for non-audit services	-	364,208

(1) In addition, \$37,472 were paid to BDO (WA) for services relating to the audit of certain subsidiaries in 2013.

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

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

During July 2014, the Company announced that by operation of its internal reporting mechanisms, the provision of benefits to a foreign public official that may violate its Anti-Bribery and Anti-Corruption Policy or applicable laws in Australia or in foreign jurisdictions were identified. The amount of the benefits provided to the foreign public official was not material to the Company. The Company self-reported the matter to relevant authorities, including the Australian Federal Police, and the matter is being assessed and investigated. To date, there has been no action taken against the Company, consequently, the range of potential penalties, if any, cannot be reliably estimated. Should there be any prosecution, potential penalties are governed by laws in various jurisdictions including *Criminal Code 1995 (Cth)* in Australia and/or the *UK Bribery Act*.

(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 2014 was \$1,577,000 (2013: \$11,955,000). Security is provided to the National Australia Bank Limited ("NAB") (refer to Note 17) for \$1,479,000 of this amount in cash deposits. Cash held on deposit with the Commonwealth Bank of Australia secures the remaining \$98,000 as at 30 June 2014 (refer to Note 12).

FINANCIAL REPORT

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

Disclosures relating to Directors and Key Management Personnel are now included within the Remuneration Report, with the exception of the table below.

	Consolidated	
	2014	2013
	\$	\$
Short term employee benefits	2,515,844	4,095,961
Post-employment benefits	90,356	96,075
Leave	242,267	151,948
Share-based payments	462,370	491,280
Termination payments	452,549	-
	3,763,386	4,835,264

(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 \$10,969,000 (2013: \$2,509,000), operating lease rents of \$1,464,000 (2013: \$711,000), and interest \$7,259,000 (2013: \$nil) to entities in the wholly-owned group.

Net loans payable to the Company amount to a net receivable of \$321,282,000 (2013: net receivable \$123,200,000).

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 2014, there were no amounts receivable from Director related entities (2013: \$ nil).

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

During the years ended 30 June 2014 and 30 June 2013, there were no other transactions with Directors of the Company and their Director related entities.

FINANCIAL REPORT

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 2014	June 2013	June 2014	June 2013
		%	%	\$'000	\$'000
<u>Parent entity</u>					
St Barbara Limited	Australia				
<u>Subsidiaries of St Barbara Limited</u>					
Allied Gold Mining Ltd ⁽³⁾	UK	100	100	78,238	255,638
Australian Eagle Oil Co Pty Ltd	Australia	100	100	178	178
Capvern Pty Ltd	Australia	100	100	-	-
Eagle Group Management Pty Ltd	Australia	100	100	-	-
Murchison Gold Pty Ltd	Australia	100	100	-	-
Kingkara Pty Ltd	Australia	100	100	-	-
Oakjade Pty Ltd	Australia	100	100	-	-
Regalkey Holdings Pty Ltd	Australia	100	100	-	-
Silkwest Holdings Pty Ltd	Australia	100	100	-	-
Sixteenth Ossa Pty Ltd	Australia	100	100	-	-
Vafitu Pty Ltd	Australia	100	100	-	-
Zygot Pty Ltd	Australia	100	100	-	-
<u>Subsidiaries of Allied Gold Mining Ltd</u>					
Allied Gold Ltd	Australia	100	100	-	-
<u>Subsidiaries of Allied Gold Ltd</u>					
Advance R&D Pty Ltd ⁽¹⁾	Australia	100	100	-	-
AGL (ASG) Pty Ltd	Australia	100	100	-	-
AGL (SGC) Pty Ltd	Australia	100	100	-	-
Allied Gold Finance Pty Ltd	Australia	100	100	-	-
Allied Gold Services Pty Ltd	Australia	100	100	-	-
Allied Tabar Exploration Pty Ltd	Australia	100	100	-	-
Aretrend Pty Ltd ⁽¹⁾	Australia	100	100	-	-
Australian Solomons Gold Limited	Australia	100	100	-	-
Nord Pacific Limited	Canada	100	100	-	-
<u>Subsidiaries of AGL (SGC) Pty Ltd</u>					
Compania Minera Nord Pacific De Mexico, S.A. DE C.V. ⁽²⁾	Mexico	100	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.

FINANCIAL REPORT

	Country of Incorporation	Ownership Interest		Carrying value of company's investment	
		June 2014	June 2013	June 2014	June 2013
		%	%	\$'000	\$'000
<u>Subsidiaries of Allied Tabar Exploration Pty Ltd</u>					
Tabar Exploration Company Ltd	Australia PNG	100	100	-	-
<u>Subsidiaries of Australian Solomons Gold Limited</u>					
JV Mine (Australia) Pty Ltd	Australia	100	100	-	-
<u>Subsidiaries of Nord Pacific Limited</u>					
Nord Australex Nominees (PNG) Ltd	Canada PNG	100	100	-	-
Simberi Gold Company Limited	PNG	100	100	-	-
<u>Subsidiaries of JV Mine (Australia) Pty Ltd</u>					
Solomon Islands International Pty Ltd	Australia	100	100	-	-
<u>Subsidiaries of Solomon Islands International Pty Ltd</u>					
ASG Solomon Islands Ltd ⁽¹⁾	Australia Solomon Islands	100	100	-	-
<u>Subsidiaries of ASG Solomon Islands Ltd</u>					
Gold Ridge Mining Ltd ⁽²⁾	Solomon Islands Solomon Islands	100	100	-	-

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

(2) 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.

Note 32 Interests in joint arrangements

	June 2014 Equity %	June 2013 Equity %	Joint Venturers
WESTERN AUSTRALIA			
<u>Leonora Region</u>			
Mount Newman - Victory	93%	92%	Astro Diamond Mines N.L.
Sandy Soak	91%	91%	Newmont Yandal Operation Pty Ltd ¹
Melita	60%	80%	Dalrymple Resources N.L.
McEast/Pipeline ²	0%	20%	Cheperon Gold Partnership
Black Cat	40%	40%	Terrain Minerals Ltd
Silver Phantom ³	0%	70%	Bellriver Pty Ltd
South Rankin ³	0%	75%	Comet Resources Limited

(1) During the year Hunter Resources Pty Ltd transferred its' interest to the parent entity, Newmont Yandal Operation Pty Ltd.

(2) Tenement underlying the Interest in McEast/Pipeline expired in the year.

(3) Interests in Silver Phantom and South Rankin were sold as part of the Southern Cross sale.

As at 30 June 2014 there were no joint venture assets or liabilities recorded in the balance sheet (2013: Nil).

As at 30 June 2014 there were no interests in jointly controlled operations in Solomon Islands or Papua New Guinea.

FINANCIAL REPORT

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 as described in this note:

- On the 10 July 2014; 75% of forecasted Leonora production from October 2014 to June 2015 was hedged using forward contracts at AUD \$1,415/oz.
- On 22 August 2014, the Company announced that it was entering into negotiations for the possible transfer of ownership of the Gold Ridge mine to the Solomon Islands Government.

Note 34 Reconciliation of loss after income tax to net cash flows from operating activities

	Consolidated	
	2014	2013
	\$'000	\$'000
Loss after tax for the year	(500,831)	(191,854)
Depreciation and amortisation	108,691	101,002
Asset impairments and write downs	410,556	309,170
Income tax expense/(benefit)	17,524	(78,857)
Net loss on sale of property, plant and equipment	742	(13)
Net gain on sale of discontinued operations (refer note 38)	-	(22,109)
Contingent consideration received on sale of Southern Cross	(1,444)	-
Fair value movement in gold prepayment facility	10,800	(2,083)
Net realised/unrealised gain on gold derivative fair value movements	(2,832)	(15,703)
Unwinding of rehabilitation provision	3,021	3,538
Onerous provision written back	(6,840)	-
Net finance costs amortised	3,169	5,764
Unrealised/realised foreign exchange gain	(1,810)	(9,643)
Equity settled share-based payments	698	963
Change in operating assets and liabilities		
Decrease/(increase) in receivables and prepayments	4,902	12,894
Decrease/(increase) in inventories	2,237	(24,592)
(Increase)/decrease in other assets	(1,405)	(283)
(Decrease)/increase in trade creditors and payables	(29,707)	(4,609)
Increase/(Decrease in provisions	2,789	(12,557)
Net cash flows from operating activities	20,260	71,028

Note 35 Non-cash investing and financing activities

	Consolidated	
	2014	2013
	\$'000	\$'000
Acquisition of vehicles and equipment through finance leases	2,474	8,528
Acquisition of software licence	-	1,024
	2,474	9,552

FINANCIAL REPORT

Note 36 Earnings per share

	Consolidated	
	2014	2013
	Cents	Cents
(a) Basic earnings per share		
Continued operations	(102.61)	(43.50)
Continued and discontinued operations	(102.61)	(41.92)
(b) Diluted earnings per share		
Continued operations	(102.61)	(43.50)
Continued and discontinued operations	(102.61)	(41.92)

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

	Consolidated	
	2014	2013
	\$'000	\$'000
Basic and diluted earnings per share:		
Loss after tax for the year - continuing operations	(500,831)	(199,053)
Loss after tax for the year – including discontinued operations	(500,831)	(191,854)

(d) Weighted average number of shares

	Consolidated	
	2014	2013
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	488,074,077	457,622,431
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	488,074,077	457,622,431

(i) Performance rights

Performance rights granted to employees under the St Barbara Performance Rights Plan are considered to be potential ordinary shares and are included in the determination of diluted earnings per share to the extent to which they are dilutive. The rights are not included in the determination of basic earnings per share. Details relating to the rights are set out in Note 37.

FINANCIAL REPORT

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 2014 no options were granted.

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. 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.

(b) Employee Performance Rights

During the year ended 30 June 2014, \$1,402,000 (2013: \$nil) previously recognised in the share based payment reserve for 1,437,646 (2013: nil) performance rights, which expired during the year, were transferred as a gain to accumulated losses. 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.

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 – 2014								
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
28 Oct 11	30 Jun 14	\$2.23	734,529	-	-	734,529 ⁽¹⁾	-	-
23 Nov 11	30 Jun 14	\$2.20	459,621	-	-	459,621 ⁽¹⁾	-	-
15 Mar 12	30 Jun 14	\$2.09	243,496	-	-	243,496 ⁽¹⁾	-	-
19 Dec 12	30 Jun 15	\$2.09	1,573,697	-	-	714,899 ⁽²⁾	858,798	-
29 Nov 13	30 Jun 16	\$0.49	-	6,092,247	-	1,483,150 ⁽²⁾	4,609,097	-
4 Dec 13	30 Jun 16	\$0.49	-	1,871,642	-	1,871,642 ⁽²⁾	-	-
Total			3,011,343	7,963,889	-	5,507,337	5,467,895	-
Weighted average exercise price			-	-	-	-	-	-

(1) Includes performance rights, which did not vest due to not meeting performance criteria, or through termination of employment.

(2) Expired due to termination of employment.

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

FINANCIAL REPORT

The weighted average remaining contractual life of performance rights outstanding at the end of the year was 1.9 years (2013: 1.5 years). The model inputs for rights granted during the year ended 30 June 2014 included:

- i. Rights are granted for no consideration. The vesting of rights granted in 2014 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 \$nil. This outcome was based on the likelihood of the market condition being met as at the date the rights vest.

(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	
	2014	2013
	\$	\$
Options/performance rights issued under employee option plan	698,000	963,000

FINANCIAL REPORT

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 prior year amounts in the consolidated income statement are set out below.

	2014 \$'000	2013 \$'000
Loss for the period from discontinued operations		
Revenue	-	56,603
Expenses	-	(67,853)
Loss before tax	-	(11,250)
Attributable income tax benefit	-	3,375
Loss after tax	-	(7,875)
Gain on disposal of operations	-	22,109
Attributable income tax expense	-	(7,035)
	-	15,074
Profit for the year from discontinued operations (attributable to owners of the company)	-	7,199
	2014 \$'000	2013 \$'000
Cash flows from discontinued operations		
Net cash inflows from operating activities	-	10,915
Net cash inflows from investing activities	-	17,221
Net cash inflows	-	28,136

FINANCIAL REPORT

Note 39 Disposal of subsidiary

	2014 \$'000	2013 \$'000
Consideration received		
Consideration received in cash	1,500	17,648
	1,500	17,648

During the year, the Company received \$1.5 million (\$1.4 million net of costs) from Hanking Gold Mining Pty Ltd in relation to the sale of the Group's Southern Cross operations in the prior financial year. The proceeds were contingent consideration received upon satisfaction of certain undertakings by the Company.

	2014 \$'000	2013 \$'000
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 of \$22,109,000 is included in the profit from discontinued operations for the comparative year.

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.

	2014	2013
	\$'000	\$'000
Consideration transferred		
Cash and cash equivalents	-	210,934
Equity	-	272,967
<u>Total consideration</u>	<u>-</u>	<u>483,901</u>
	2014	2013
	\$'000	\$'000
Goodwill arising on acquisition		
Consideration transferred	-	483,901
Less: Fair value of identifiable net assets acquired (provisional)	-	(479,896)
Goodwill arising on acquisition	<u>-</u>	<u>4,005</u>

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

	2014	2013
	\$'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>-</u>	<u>206,623</u>

The initial accounting for the acquisition of Allied Gold was provisionally determined at 30 June 2013. The fair values were finalised by the end of December 2013, and the updated values are listed on the following page.

FINANCIAL REPORT

Note 40 Business Combinations (continued)

	Provisional fair value reported at 30 Jun 2013 \$'000	Adjustments to provisional fair value \$'000	Finalised fair value reported at 30 Jun 2014 \$'000 ⁽⁷⁾
Current assets			
Cash	4,311	-	4,311
Trade receivables ⁽¹⁾	5,857	(74)	5,783
Inventories ⁽²⁾	61,535	(1,951)	59,584
Available for sale financial assets	51	-	51
Other assets ⁽³⁾	4,582	(75)	4,507
Total current assets	76,336	(2,100)	74,236
Non-Current assets			
Property, plant and equipment	320,613	-	320,613
Mineral rights asset	336,450	-	336,450
Goodwill ⁽⁴⁾	4,005	2,069	6,074
Total Non-Current assets	661,068	2,069	663,137
Current liabilities			
Trade payables	(43,945)	-	(43,945)
Provisions ⁽⁵⁾	(13,433)	(856)	(14,289)
Loans and borrowings	(46,809)	-	(46,809)
Total Current liabilities	(104,187)	(856)	(105,043)
Non-Current liabilities			
Provisions ⁽⁵⁾	(47,620)	-	(47,620)
Loans and borrowings	(31,590)	-	(31,590)
Deferred tax liability ⁽⁶⁾	(70,106)	887	(69,219)
Total Non-Current liabilities	(149,316)	887	(148,429)
Fair value of identifiable net assets	483,901	-	483,901

(1) Trade receivables long outstanding at the date of acquisition which are unlikely to be recovered.

(2) Detailed review of inventory spares determined that there were obsolete items whose values were unlikely to be recovered.

(3) Capitalised interest relating to expired finance leases at the date of acquisition.

(4) The final goodwill valuation as a result of finalisation of fair values. As part of the impairment review in June 13, all goodwill on the acquisition was impaired.

(5) Retention bonus provisions which should have been booked before acquisition.

(6) The change in the deferred taxes is a result of the adjustments listed above.

(7) The fair values reported exclude impairment write downs posted in periods subsequent to the acquisition.

FINANCIAL REPORT

Note 41 Goodwill

	2014	2013
	\$'000	\$'000
Cost	6,074	4,005
Accumulated impairment losses	(6,074)	(4,005)
	-	-
Cost		
Balance at the beginning of the year	4,005	-
Amount recognised from business combinations (note 40)	-	4,005
Adjustments to provisional fair value	2,069	
Balance at end of year	6,074	4,005
Accumulated impairment losses		
Balance at the beginning of the year	(4,005)	-
Impairment losses recognised in the year	(2,069)	(4,005)
Balance at end of year	(6,074)	(4,005)

FINANCIAL REPORT

DIRECTORS' DECLARATION

- 1 In the opinion of the directors of St Barbara Limited (the Company):
 - (a) the consolidated financial statements and notes that are contained in pages 41 to 106 and the Remuneration report in the Directors' report, set out on pages 21 to 37, are 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 2014 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 2014.
- 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:



Bob Vassie

Managing Director and CEO

Melbourne
27 August 2014



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 2014, 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 41 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.

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

Liability limited by a scheme approved under Professional Standards Legislation.



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 2014 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 21 to 37 of the directors' report for the year ended 30 June 2014. 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 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Tony Romeo
Partner

Melbourne

27 August 2014

Ore Reserves and Mineral Resources Statements as at 30 June 2014

Overview

- > Ore Reserves at 30 June 2014 were 69.1 Mt @ 2.3 g/t Au for 5.16 million ounces of contained gold.
- > Ore Reserves decreased by a net 0.08 million ounces (Moz) from the 30 June 2013 estimate to 5.16 Moz.
- > Gwalia Ore Reserves increased by a net 0.16 Moz to an estimated 7.3 million tonnes (Mt) @ 8.2 grams per tonne of gold (g/t Au) for 1.91 Moz of contained gold (1.75 Moz at June 2013), representing an indicative mine life at current mining rates of at least 9 years.
- > The Gwalia ore body remains open at depth, particularly South West Branch lode, with potential within the planned mining interval to add to Mineral Resources in both the South Gwalia Series and West Lodes.

Company Summary at 30 June 2014

- > **Total Ore Reserves are estimated at: 69.1 Mt @ 2.3 g/t Au for 5.16 Moz of contained gold, comprising:**
 - > Leonora Operations: 10.3 Mt @ 6.9 g/t Au for 2.28 Moz of contained gold
 - > Simberi Operations: 44.2 Mt @ 1.6 g/t Au for 2.21 Moz of contained gold
 - > Gold Ridge Operations: 14.6 Mt @ 1.4 g/t Au for 0.67 Moz of contained gold
- > **Total Mineral Resources are estimated at: 209.4 Mt @ 2.0 g/t Au for 13.16 Moz of contained gold, comprising:**
 - > Leonora Operations: 21.6 Mt @ 6.6 g/t Au for 4.61 Moz of contained gold
 - > Simberi Operations: 123.6 Mt @ 1.4 g/t Au for 5.38 Moz of contained gold
 - > Gold Ridge Operations: 64.2 Mt @ 1.5 g/t Au for 3.18 Moz of contained gold

The 30 June 2014 Ore Reserves and Mineral Resources Statements released to the ASX on 27 August 2014 follow.

Mineral Resources Statement as at 30 June 2014

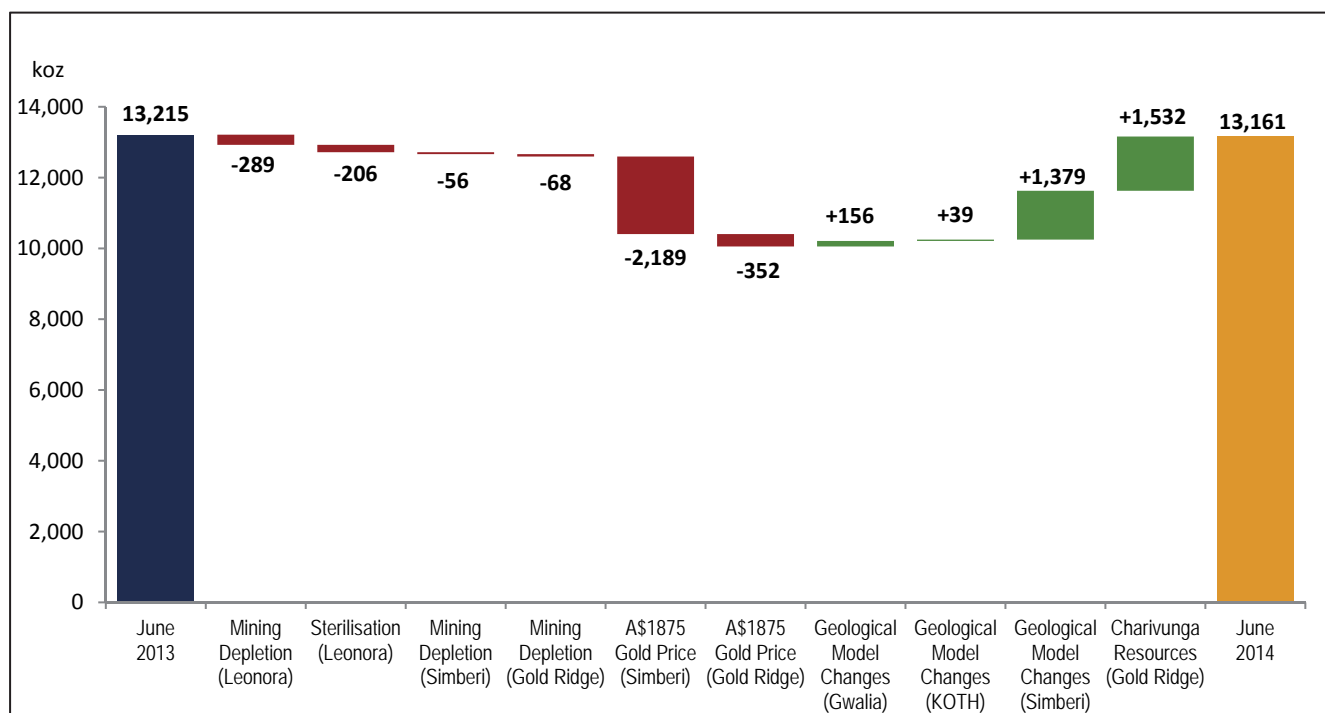
The Company's total Measured, Indicated and Inferred Mineral Resources as at 30 June 2014 are **209.4 million tonnes (Mt) @ 2.0 grams per tonne of gold (g/t Au) containing 13.16 million ounces of gold (Moz)** (refer Table 1). The previous publicly reported estimate of Mineral Resources was 268.4 Mt @ 1.5 g/t Au containing 13.22 Moz of gold as at 30 June 2013.

The primary movements in the Mineral Resource inventory during the 2014 financial year were realised through:

- > constraining the Simberi and Gold Ridge Mineral Resources with a gold price of A\$1,875 per ounce
- > revision of the geological model resulting in an increase in the Simberi Mineral Resource and further drilling leading to an increase in the Charivunga (Gold Ridge) Mineral Resource.

Details of these and other changes resulted in a net reduction in Mineral Resources of 0.06 Moz of contained gold, illustrated in Figure 1 and explained further below.

Figure 1: Major sources of variance to Mineral Resource Inventory between FY13 and FY14



Mineral Resources Statement as at 30 June 2014

Mining Depletion (Leonora Ops) - A total of 289,000 ounces of gold has been depleted from the Company's Operations at Leonora - 219,000 ounces from Gwalia and 70,000 ounces from King of the Hills.

Sterilisation (Leonora Ops) - A total of 206,000 ounces of gold has been depleted from the in situ resources at both Gwalia (139,000 ounces) and King of the Hills (67,000 ounces) that, due to mining infrastructure, is unlikely to be able to be recovered. At Gwalia this is largely remnant mineralisation around the margins of mined and paste-filled stopes, and at King of the Hills is remnant mineralisation contained in pillars and in the 'exclusion zone' between the open pit floor and the top of underground workings.

Mining Depletion (Simberi & Gold Ridge) - The Simberi mineral inventory has been depleted by 56,000 ounces through mining and the Gold Ridge inventory by 68,000 ounces.

A\$1,875/oz Gold Price (Simberi & Gold Ridge) - The Simberi and Gold Ridge mineral resources were reported unconstrained in 2013, however the JORC (2012) Code requires a Mineral Resource to have 'reasonable prospects for economic extraction'. The Company practice for ensuring that open pit resources are reported in accordance with the JORC code has been to constrain the resource estimate by an optimal pit shell generated using the same cost and slope parameters as Ore Reserves, but with a 50% higher gold price. This has proven to be an effective method of removing discontinuous or deep mineralisation that is unlikely to be mineable.

By constraining the Simberi Mineral Resource within a A\$1,875/oz pit shell the oxide resource has been reduced by 109,000 ounces and the sulphide resource by 2,080,000 ounces, for a total reduction of 2,189,000 ounces. The Gold Ridge resource has been reduced by 352,000 ounces.

Geological Model Changes (Gwalia) - Resource development and grade control drilling completed from the 1440 drill drive to 1,580 metres below surface has driven minor changes to local geological models on all lodes and has also identified extensions to the South Gwalia Series and West Lode. In addition the drilling has confirmed the location and extent of a new lode - South West Branch 2. The net effect of these changes is an increase to the resource of 156,000 ounces.

Geological Model Changes (King of the Hills) - Resource development and grade control drilling coupled with continuous improvement of the geological model across both the Eastern and Western flanks has added 39,000 ounces to the King of the Hills resource.

Geological Model Changes (Simberi) - An updated geological model and structural interpretation was completed for Simberi Island in 2014, based on mapping completed by Dr Sarah Jones and previous staff. This work was the basis for improvements in the geological models for the Sorowar, Pigiput and Pigibo deposits. A lithological control separating lower grade intrusive hosted gold mineralisation from higher grade breccia hosted gold mineralisation has been defined, and estimation search parameters were modified to reflect structural controls identified by the study. In addition, metallurgical test work found that transitional material, which was previously reported as part of the sulphide resource, has recoveries of around 75% - closer to oxide recoveries than sulphide. As a consequence transitional material is now reported as part of the oxide resource.

By constraining gold mineralisation based on lithology and reporting transitional material as part of the oxide resource, the oxide resource has increased by 641,000 ounces. The inclusion of lithological controls and removal of transitional material from the sulphide resource resulted in an overall increase of the sulphide resource by 738,000 ounces.

Charivunga Resource (Gold Ridge) - Following the completion of in-fill resource definition drilling a resource estimate for the Charivunga deposit was completed in 2014. This has added 1,532,000 ounces to the Gold Ridge mineral inventory.

Mineral Resources Statement as at 30 June 2014

Table 1: Mineral Resource Summary June 2014

Region	Category	Measured			Indicated			Inferred			Total		
		Tonnes (k)	Au g/t	k oz	Tonnes (k)	Au g/t	k oz	Tonnes (k)	Au g/t	k oz	Tonnes (k)	Au g/t	k oz
Leonora	Project	5,258	7.0	1,188	6,325	9.4	1,917	2,560	5.9	484	14,143	7.9	3,589
	Gwalia	-	-	-	1,283	6.7	278	3	10.4	1	1,286	6.7	279
	King of the Hills	-	-	-	4,604	3.9	574	489	3.3	51	5,093	3.8	625
	Tower Hill	-	-	-	1,040	3.2	108	35	4.8	6	1,075	3.3	114
	Kalls	-	-	-	-	-	-	-	-	-	-	-	-
Total Leonora		5,258	7.0	1,188	13,252	6.8	2,877	3,087	5.5	542	21,597	6.6	4,607
	Simberi Oxide	-	-	-	56	1.5	3	98	1.1	3	154	1.2	6
	Bokou (Oxide)	-	-	-	2,182	1.1	75	464	1.1	17	2,647	1.1	92
	Scats stockpiles (Oxide)	593	0.9	17	-	-	-	-	-	-	593	0.9	17
	Pigpuu/Pigbo (Oxide)	4,086	1.0	131	16,136	1.0	533	6,729	1.0	208	26,952	1.0	873
	Pigcow (Oxide)	-	-	-	163	1.6	8	346	1.3	15	509	1.4	23
	Samat (Oxide)	-	-	-	406	1.4	18	974	0.9	30	1,380	1.1	47
	Sorowar (Oxide)	3,582	1.3	151	12,114	1.1	425	2,284	0.8	60	17,980	1.1	637
Total Simberi Oxide		8,261	1.1	299	31,056	1.1	1,062	10,896	0.9	332	50,213	1.1	1,694
	Simberi Sulphide	-	-	-	23	2.0	2	588	1.5	29	611	1.5	30
	Bokou (Sulphide)	-	-	-	4,257	1.5	208	4,407	1.2	172	8,664	1.4	380
	Pigbo (Sulphide)	-	-	-	-	-	-	-	-	-	-	-	-
	Pigpuu/Pigbo (Sulphide)	8	0.8	0	32,826	1.8	1,855	20,634	1.5	965	53,468	1.6	2,821
	Pigcow (Sulphide)	-	-	-	-	-	-	480	1.5	23	480	1.5	23
	Samat (Sulphide)	-	-	-	3,015	1.6	156	2,521	1.1	90	5,536	1.4	246
	Sorowar (Sulphide)	777	1.2	29	2,457	1.1	89	1,424	1.5	67	4,658	1.2	185
Total Simberi Sulphide		784	1.0	29	42,577	1.7	2,311	30,054	1.4	1,346	73,416	1.6	3,686
	Gold Ridge	435	1.3	18	3,118	1.3	128	867	1.5	41	4,420	1.3	187
	Namachamata	166	2.0	11	457	1.7	24	146	1.4	6	768	1.7	41
	Kupers	2,640	1.5	127	7,662	1.2	291	3,004	1.3	126	13,306	1.3	544
	Charirunga	-	-	-	8,437	1.5	410	16,905	2.1	1,120	25,342	1.9	1,530
	Dawsons	1,056	1.4	48	15,932	1.3	666	2,895	1.6	149	19,883	1.4	863
	Stockpile	443	0.7	10	-	-	-	-	-	-	443	0.7	10
Total Gold Ridge		4,740	1.4	214	35,606	1.3	1,519	23,817	1.9	1,442	64,162	1.5	3,175
Total All Areas		19,043	2.8	1,730	122,492	2.0	7,769	67,854	1.7	3,662	209,390	2.0	13,161

Mineral Resources Statement as at 30 June 2014**Notes to Table 1:**

1. Mineral Resources are reported inclusive of Ore Reserves.
2. Cut-off Grades Leonora: Gwalia (2.5 g/t Au), King of The Hills (3.0 g/t Au), Tower Hill (2.5 g/t Au), Kailis (0.8 g/t Au).
3. Cut-off Grade Simberi Oxide (0.4 g/t Au).
4. Cut-off Grade Simberi Sulphide (0.6 g/t Au).
5. Cut-off Grade Gold Ridge (0.5 g/t Au).
6. Details relating to each of the estimates are contained in the St Barbara Ltd Annual Mineral Resource Report which is available at www.stbarbara.com.au.
7. Data is rounded to thousands of tonnes and thousands of ounces. Discrepancies in totals may occur due to rounding.

Competent Persons Statement

The information in this report that relates to Mineral Resources is based on information compiled by Ms Jane Bateman, who is a Member of The Australasian Institute of Mining and Metallurgy. Ms Bateman is a full-time employee of St Barbara Ltd and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms Bateman consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The Competent Persons who have completed work on each of the mines or deposits are as follows:

- > Gwalia and King of the Hills Mines – Mr Robert Love (FAusIMM)
- > Kailis and Tower Hill Deposits – Ms Jane Bateman (MAusIMM)
- > Simberi Mine – Mr Wayne Lind (MAusIMM)
- > Gold Ridge Mine – Mr Kevin Crossling (MAusIMM)

Ore Reserves Statement as at 30 June 2014

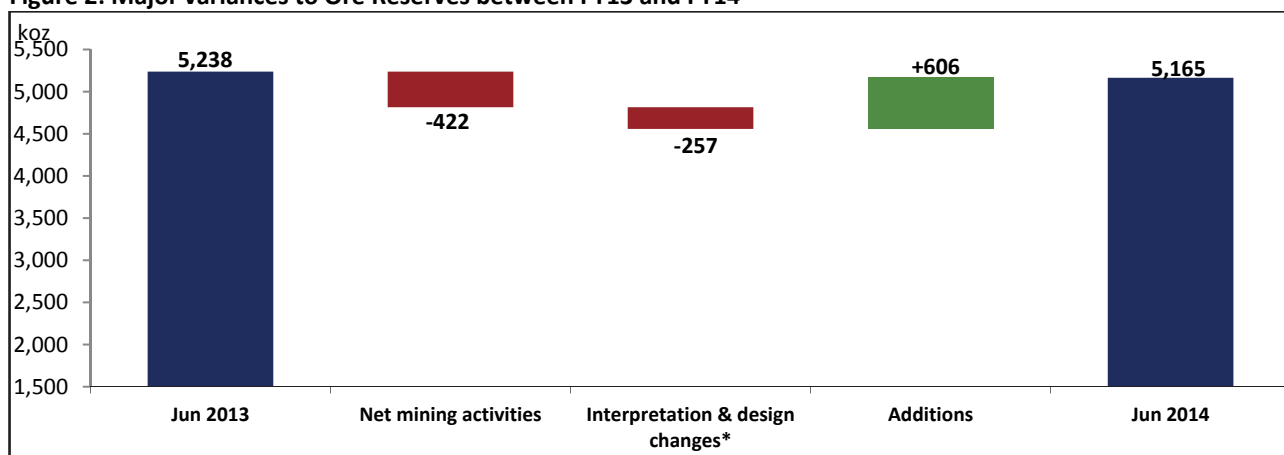
As at 30 June 2014, the Company's Proved and Probable Ore Reserves are estimated to be **69.09 million tonnes (Mt) at 2.3 grams per tonne of gold (g/t Au) containing 5.16 million ounces (Moz)** (refer Table 2). The previously reported Reserve in 2013 was 77.84 Mt @ 2.1 g/t Au for 5.24 Moz of contained gold. Ore Reserves are located at Gwalia, King of the Hills, Tower Hill in Western Australia, Simberi in Papua New Guinea and Gold Ridge in Solomon Islands. This represents a net decrease of 0.08 Moz over the June 2013 estimate.

The 2014 Ore Reserve estimates are based on the following assumptions:

- A gold price of A\$1,250 per ounce (real) has been applied to all mines, except King of the Hills, where the FY15 gold price estimate of A\$1,390/oz has been applied consistent with the current estimated mine life of one year.
- Gwalia has an updated Life of Mine plan. This includes updates to the Resource model, geotechnical, ventilation and paste models, and addresses depletion which has not been resolved since commencing the Deeps project.
- King of the Hills Ore Reserve life is one year as at 30 June 2014, and with the deposits open at depth. There is a high level of confidence in the geological control of the site.
- Tower Hill estimates are rolled over from FY13.
- Gold Ridge is reported with a general qualification that while the Mineral Resource is economic based on the ongoing mine plan, Gold Ridge Mining Limited (GRML) issued force majeure notices in April and August 2014 under the Mining Agreement and operations remain suspended. Two of the contributing factors outside of GRML's control require the active management and involvement of the Solomon Islands Government to address. They are:
 - Continuing interruption to properly engineered access to the Tinahulu Bridge on the public site access road;
 - The presence of several hundred illegal miners encamped in the open pit mining areas.
- New Resource model for Simberi excludes lower grade material, increasing Reserve grades.
- Based on metallurgical test work undertaken as part of the Simberi Sulphide work, Simberi transition material has been reclassified to leach feed and is now scheduled to be included as part of the oxide campaign.
- Simberi Sulphide study work has considered alternative oxidation options, however, it is not yet at a Pre-Feasibility level of confidence. Consequently the sulphide Ore Reserve estimates are based on the 2011 Allied Gold Limited Pre-Feasibility Study.

Ore Reserve depletion and addition are illustrated in Figure 2.

Figure 2: Major variances to Ore Reserves between FY13 and FY14



* Changes include Geology, Design and Factor Changes

Ore Reserves Statement as at 30 June 2014

Table 2: June 2014 Ore Reserve Summary

Region	Project	Proved		Probable		Total		
		kt	Au g/t	kt	Au g/t	kt	Au g/t	
Leonora	Gwalia	2,020	8.8	5,257	8.0	1,345	8.2	1,914
	Tower Hill*	-	-	2,572	3.7	306	3.7	306
	King of the Hills	-	-	449	4.4	63	4.4	63
	Total Leonora	2,020	8.8	8,278	6.4	1,714	6.9	2,283
Simberli	Sorowar	3,539	1.0	7,420	1.4	324	1.2	432
	Pigiput	2,374	0.8	19,300	2	1,139	1.7	1,204
	Pigibo	-	-	5,936	1	280	1.5	280
	Samat	-	-	1,303	2	90	2.2	90
	Botlu	-	-	1,996	1.9	120	1.9	120
	Pigicow	-	-	103	2	6	1.9	6
	Bekou	-	-	1,594	1.2	59	1.2	59
	Stockpiles	604	0.9	-	-	-	0.9	17
Total Simberli	6,517	0.9	37,653	1.7	2,019	1.6	2,209	
Gold Ridge	Dawsons	739	1.6	6,476	1.5	309	1.5	348
	Kupers	1,693	1.7	2,240	1.3	95	1.5	186
	Charivunga	61	1.1	2,774	1.3	118	1.3	120
	Valehaichichi	96	1.7	95	1.3	4	1.5	9
	Namachamata	-	-	-	-	-	-	-
	Stockpiles	443	0.7	-	-	-	0.7	10
	Total Gold Ridge	3,032	1.5	11,584	1.4	526	1.4	673
Total All Regions	11,570	2.4	57,515	2.3	4,259	2.3	5,165	

Ore Reserves Statement as at 30 June 2014**Notes to Table 2:**

1. Ore Reserves based on a gold price of A\$1,250/oz for Gwalia, Simberi, Gold Ridge and Tower Hill.
2. Ore Reserves based on a gold price of A\$1,390/oz for King of the Hills consistent with the current estimated mine life of one year.
3. Mineral Resources are reported as inclusive of Ore Reserves.
4. All data is rounded to two significant figures. Discrepancies in summations will occur due to rounding.
5. Details relating to each of the estimates are available as short form reports at www.stbarbara.com.au.

Competent Persons Statement

The Ore Reserves have been estimated and compiled under the direction of Mr John de Vries. Mr de Vries is a Member of The Australasian Institute of Mining and Metallurgy and a full time employee of St Barbara Limited. Mr de Vries has sufficient experience relevant to the style of mineralisation, type of deposit under consideration and for the activity being undertaken to qualify as a Competent Person as defined by the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore reserves'. Mr de Vries consents to the inclusion in the report of the matters based on the information in the form and context in which it appears. Mr de Vries is entitled to participate in St Barbara's long term incentive plan, details of which are included in the 2013 Annual Report and Notice of 2013 Annual General Meeting released to the ASX on 18 October 2013. Increase in Ore Reserves is one of the performance measures under that plan.

Corporate Governance Statement

Contents

- Introduction
- Principle 1: Lay solid foundations for management and oversight
- Principle 2: Structure the Board to add value
- Principle 3: Promote ethical and responsible decision making
- Principle 4: Safeguard integrity in financial reporting
- Principle 5: Make timely and balanced disclosure
- Principle 6: Respect the rights of shareholders
- Principle 7: Recognise and manage risk
- Principle 8: Remunerate fairly and responsibly

Introduction

The Board and Management of St Barbara are committed to maintaining high standards of ethics, integrity and statutory compliance in all Company dealings.

This report describes the Corporate Governance framework in place that underpins the delivery of these objectives, and the Company's conformance with the ASX Corporate Governance Principles and Recommendations (2nd Edition) ("the ASX Principles and Recommendations"), by reference to each of the stated principles. The Company is committed to complying with the 3rd Edition of the ASX Corporate Governance Principles and Recommendations by 30 June 2015, and has already taken action towards this.

In addition, important governance information including details on the composition of the Board and Executive Management, Board related charters, and significant Company policies are available on the Company's website at www.stbarbara.com.au.

Principle 1: Lay solid foundations for management and oversight

The role of the Board is to protect and enhance shareholder value, approve the Company's strategic direction, provide Management with guidance and oversight and foster a culture of good governance.

In performing its role, the Board at all times endeavours to act:

- a) in a manner designed to achieve business success and create and continue to build long term value for shareholders
- b) recognising its overriding responsibility to act honestly, fairly and ethically in serving the interests of the Company, its shareholders, employees, and as appropriate, other stakeholders
- c) in accordance with the duties and obligations imposed upon Directors by this Charter and the Company's Constitution and applicable law.

The responsibilities of the Board are described in the Board Charter. Management is responsible for the day to day operation of the Company which it undertakes within a framework of specific delegated authority and approval limits.

The performance of each senior executive is formally assessed each year under the Company's performance appraisal system and reviewed by the Board. Further details, including the linkage to remuneration, are contained in the Remuneration Report.

Principle 2: Structure the Board to add value

Independence

It is Board policy that a majority of Non Executive Directors, including the Chairman, should be independent and free of any relationship that may conflict with the interests of the Company.

Corporate Governance Statement

Each Director is required to provide advance notice of any actual or potential conflict of interest relating to business planned to be considered by the Board. Directors who have declared a potential or real conflict of interest on a particular issue may be excluded from all relevant Board deliberations, and from voting on that issue.

In assessing the independence of Directors, the Board considers the materiality of any transactions during the year relative to both the Company and any third party with which a Director is associated. Whilst a Director, Mr Lockyer had advised the Company that he was also a Non-Executive Director of Swick Mining Services, a provider of drilling services to the Company. Mr Lockyer abstained from any Board discussions relating to Swick Mining Services and was considered by the Board to be independent.

All current Non Executive Directors, including the Chairman, are considered to be independent. The Managing Director and CEO is the only Executive Director on the Board.

Composition of the Board of Directors

The Board periodically reviews its own composition, skill set and capability. The Board considers that the size, nature, scope and location of the Company's operations requires a mix of skills broadly technical, financial and commercial in nature and with a focus on natural resources. Specifically those skills should include governance, capital management and capital markets, mining and exploration, health, safety and environment, strategic planning, remuneration and policy. In seeking to ensure that the Board composition reflects and meets those needs, a broad diversity among directors is also sought based on age, gender and professional background qualifications and experience.

Having regard to the importance and relative infrequency of Board changes, there is no Nomination Committee as such but rather, the Board retains the nomination responsibility for itself.

The Board assesses candidates against a range of specific criteria, including their experience, background, qualifications and professional skills, potential conflicts of interest, the requirement for independence and the existing collective skill sets of the Board.

Board Performance Review

The Board informally reviewed its own performance during the 2014 financial year in conjunction with an assessment of its own composition and capabilities. This followed formal performance reviews in the preceding years. The review and assessment were co-ordinated by the Chairman. Directors concluded that the Board and its Committees are functioning well and there were no Board performance issues which required any remedial action. A review of the current Board composition will continue during the 2015 financial year.

Board structure

The Directors in office, and the composition of Board Committees, at the date of this report, are:

Director	Board	Audit and Risk Committee	Health, Safety, Environment and Community Committee	Remuneration Committee
Colin Wise	Chairman	Member		Member
Bob Vassie	MD & CEO			
Doug Bailey	Director	Chair		Member
Tim Netscher	Director	Member	Chair	
Ines Scotland	Director		Member	Chair

Details of each current Director's skills, qualifications, experience, relevant expertise and date of appointment are set out in the Directors' Report.

Corporate Governance Statement

The Board has established a number of standing Board Committees to provide a forum for a more detailed analysis of key issues and interaction with Management. Each Committee reports its recommendations to the next Board meeting. The current Committees are:

- Audit and Risk Committee
- Health, Safety, Environment and Community Committee
- Remuneration Committee.

The charter for each Committee is available on the Company website at www.stbarbara.com.au.

In addition, a special purpose Board Committee may be established for a particular set of circumstances, as appropriate.

Audit and Risk Committee

In response to the 3rd Edition of the ASX Corporate Governance Principles and Recommendations, the role of the former Audit Committee was expanded in July 2014 to incorporate the oversight of risk management.

The role of the Audit and Risk Committee is to assist and advise the Board on matters relating to:

- a) Financial reporting
- b) Financial risk management
- c) Evaluation of the effectiveness of the financial control environment
- d) Review of the internal and external audit functions
- e) Review of the Mineral Resource and Ore Reserve estimation processes
- f) Oversight of risk management.

Health, Safety, Environment and Community Committee

The role of the former Health and Safety Committee was expanded in July 2014 to incorporate environment and community matters.

The role of the Health, Safety, Environment and Community Committee is to assist and advise the Board on matters relating to:

- a) Promoting a safety conscious culture throughout the Company
- b) Reviewing health, safety, environment and community policies, objectives, strategies and plans
- c) Monitoring compliance with health, safety, environment and community regulatory requirements.

Remuneration Committee

The role of the Remuneration Committee is to assist and advise the Board on matters relating to:

- a) The overall remuneration strategies and policies of the Company
- b) The remuneration of the Managing Director & CEO, his senior executive direct reports, employees of the Company, and Non-Executive Directors.

Attendance at meetings and engagement with the business

Details of the number of scheduled meetings of the Board and each standing Committee during the year, and each Director's attendance at those meetings, are set out in the Directors' Report. Every Director has a standing invitation to attend any Committee meeting and to receive Committee papers.

All Directors visit St Barbara's mining operations periodically and meet with Management regularly to gain a better understanding of the Company's business.

Corporate Governance Statement

Independent professional advice and access to Company information.

As specified in the Board Charter and individual letters of appointment, Directors have the right of access to all Company information and to the Company's Management. Subject to prior consultation with the Chairman, Directors may seek independent advice at the Company's expense on any issue of particular concern from a suitably qualified adviser.

Principle 3: Promote ethical and responsible decision making

The Company has implemented a formal set of behavioural values designed to uphold high standards of integrity and work performance for the Board, Management, employees, and other members of the work force. The Company vision and the values underpinning it are disclosed on the Company's website.

Employees are accountable for their conduct under a range of Company policies and procedures, including safety, environment, equal opportunity, continuous disclosure and trading in Company securities. Employees and contractors are also made aware of acceptable behaviour through induction programs, on-going training and development and contact with senior staff who are encouraged to lead by example.

Procedures are in place to record and publicly report each Director's shareholdings in the Company.

The Company Secretary is responsible for investigating any reports of unethical practices and reporting the outcomes to the Managing Director & CEO or the Board, as appropriate.

The Company has not enshrined its values into a formal code of ethics at this time as it considers that all matters describing, prescribing and underpinning ethical behaviour are contained in the values and key policies outlined above.

Diversity

The Company's Diversity Policy is available on the Company's website at www.stbarbara.com.au. The Policy is reviewed by the Board periodically to ensure it remains appropriate and is operating effectively.

The measurable gender diversity objectives endorsed by the Board for the 2014 financial year¹, and the progress made against those objectives during the year, are as follows:

Objective	Description	Target	June 2013	June 2014
Objective 1	Increase the proportion of women employed across the Group to 30% by 30 June 2018	2018: 30%	25% ³	24%
Objective 2	Reduce the Overall Pay Equity Gap to 15%, by 30 June 2018	2018: 15%	18.9% ⁴	11.4%
Objective 3	Increase the percentage of women who return to work after a period of Maternity Leave to at least 67%, by 30 June 2014	2014: 67%	50%	67%
Objective 4	Increase the number of women on the Board ² to 25% by 30 June 2018	2018: 25%	20%	40% ⁵

1. The objectives set for financial year 2014 are for St Barbara's Australian Operations and offices.

2. The Board for the purpose of this report does not include the Managing Director and CEO.

3. Reported as 24% in 2013 Corporate Governance Statement (excluded Pacific Operations office).

4. Reported as 15.1% in 2013 Corporate Governance Statement (excluded Pacific Operations office and included Managing Director and CEO).

5. Ms Donaghey resigned as a Director on 30 June 2014, reducing this result to 25% on 1 July 2014.

Corporate Governance Statement

The following tables show the number of men and women on the Board, in Executive roles and in the workforce:

Gender Statistics at 30 June 2014

	Total	No. of Men	% Men	No. of Women	% Women
Board ¹	5 ⁴	3	60% ⁴	2 ⁴	40% ⁴
Senior Executives ²	4	3	75%	1	25%
Whole Organisation ³	215	163	76%	52	24%

1. The Board excludes the role of Managing Director & CEO.
2. Senior Executives includes the role of Managing Director & CEO and the three most senior executives.
3. Whole organisation includes the Managing Director & CEO and Board members and does not include Pacific Operations.
4. Ms Donaghey resigned as a Director on 30 June 2014. At 1 July 2014, the corresponding statistics for the Board (excluding MD & CEO) were: Total 4, Men 3 (75%), Women 1 (25%).

Gender Statistics at 30 June 2013⁴

	Total	No. of Men	% Men	No. of Women	% Women
Board ¹	5	4	80%	1	20%
Senior Executives ²	6	5	83%	1	17%
Whole Organisation ³	240	182	76%	58	24%

1. The Board excludes the role of Managing Director & CEO.
2. Senior Executives includes the role of Managing Director & CEO and the five most senior executives.
3. Whole Organisation includes the Managing Director & CEO but does not include other Board members.
4. To enable appropriate comparison with the FY13 objectives, which were set prior to the acquisition of the Pacific Operations, the above table excludes gender statistics of the Pacific Operations.

In accordance with the Workplace Gender Equality Act (2012), the Company submitted its annual public report to the Workplace Gender Equality Agency on 13 June 2014. A copy of the report is available on the Company website at www.stbarbara.com.au/investors/announcements/.

In March 2014 St Barbara won the 'Outstanding Company Initiative' award at the fifth annual Chamber of Minerals and Energy of Western Australia Women in Resources Awards, and in September 2014 St Barbara won the 'Excellence in Diversity Programs and Performance' award in the inaugural Women in Resources National Awards (WIRNA).

Both of these awards recognised St Barbara's work in 'Eliminating the Pay Equity Gap' which was initiated and led by Katie-Jeyn Romeyn, Executive General Manager People & Business Services. The pay-equity gap at St Barbara has reduced from 43% in 2007 to 11.4% in 2014 (compared to 23.8% for the mining industry and 18.2% nationally¹).

In September 2014, Bob Vassie, Managing Director & CEO, was announced as one of 32 CEO ambassadors of the Workplace Gender Equality Agency pay equity campaign.

Principle 4: Safeguard integrity in financial reporting

The function of the Audit and Risk Committee includes responsibility on behalf of the Board for reviewing the integrity of financial reporting. The Audit and Risk Committee reviews the principles governing the Company's relationship with its external auditor. The Board considers that the external auditor's process of partner rotation is sufficient to maintain independence of the external audit function.

¹ WGEA Gender pay gap statistics August 2014, www.wgea.gov.au/sites/default/files/Gender_Pay_Gap_Factsheet.pdf

Corporate Governance Statement

The Company has an internal audit function to review, independently of the external auditor, key financial controls and systems. That function is managed by an independent accounting firm which reports directly to the Audit and Risk Committee.

Principle 5: Make timely and balanced disclosure

St Barbara seeks to provide relevant up-to-date information to its shareholders and the broader investment community in accordance with the continuous disclosure requirements of the ASX Listing Rules and Corporations Act 2001 (Cth).

The Company has implemented, and periodically updates, a Continuous Disclosure Policy to ensure that information considered material to the share price is lodged with the ASX as soon as practicable and within ASX Listing Rule timelines.

Other relevant information, including Company presentations, are also subject to a structured process of internal review, disclosed to the ASX and posted on the Company's website.

Principle 6: Respect the rights of shareholders

The Company engages regularly with shareholders in Australia and overseas and conducts regular analyst briefings which are simultaneously webcast for key announcements. These activities are supported by the publication of the Annual and Half Year Reports, Quarterly Reports, public announcements and the posting of ASX releases on the Company website immediately after their disclosure on the ASX. Shareholders can elect to receive email notification of announcements.

Shareholders are encouraged to attend the Annual General Meeting and any other meetings of shareholders, to use the opportunity to ask questions and personally vote on shareholder resolutions. The external auditor attends the Annual General Meeting and is available to answer questions in relation to the audit of the financial statements.

Principle 7: Recognise and manage risk

Risk assessment and management are central to how the Company conducts its business through an enterprise wide risk management framework which delivers enhanced risk reporting and control mechanisms designed to ensure that strategic, operational, legal, reputational, financial and other risks are identified, assessed and managed.

The financial reporting and control mechanisms are reviewed during the year by Management, the Audit and Risk Committee, the internal audit function and the external auditor. The Board receives an annual declaration from the Managing Director and the Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 (Cth) that the Company's financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company has policies to manage risk in the areas of Health and Safety, Environment and Equal Employment Opportunity. The Board regularly reviews the high level risks within the business and the effectiveness of the Company's management of those risks. A summary of material business risks is included in the Directors' Report.

Principle 8: Remunerate fairly and responsibly

The Remuneration Committee provides recommendations to the Board on the remuneration of the Managing Director & CEO, other senior executives and Non-Executive Directors. The Committee also reviews and approves all remuneration consultancy contracts for key management personnel remuneration and receives any remuneration recommendations.

Corporate Governance Statement

Non Executive Remuneration

The remuneration of the Non Executive Directors is in the form of fixed fees consistent with their independence and impartiality. There are no retirement benefits paid to Non Executive Directors. Independent expert remuneration advice is considered from time to time in determining remuneration for the Chairman and Non Executive Directors, respectively.

Executive Remuneration

The Remuneration Committee provides recommendations to the Board on all aspects of executive remuneration including fixed remuneration, and performance based at risk short term incentives and long term incentives. The Committee utilises independent expert advice and surveys as appropriate to benchmark remuneration against contemporary resources industry data.

Further details of Director and Executive Management remuneration for the 2014 financial year are set out in the Directors' Report.

Shareholder Information

Twenty Largest Shareholders

Ordinary fully paid shares as at 30 September 2014

Rank	Name	Units	% of Units
1.	NATIONAL NOMINEES LIMITED	90,088,672	18.46
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	84,429,162	17.30
3.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	77,958,374	15.97
4.	CITICORP NOMINEES PTY LIMITED	30,933,304	6.34
5.	BNP PARIBAS NOMS PTY LTD <DRP>	4,901,234	1.00
6.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	2,697,413	0.55
7.	CS FOURTH NOMINEES PTY LTD	2,369,385	0.49
8.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,342,044	0.48
9.	NATIONAL NOMINEES LIMITED <DB A/C>	2,281,253	0.47
10.	UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	1,843,500	0.38
11.	TW INVESTMENTS PTY LTD	1,600,000	0.33
12.	MR RAYMOND EDWARD MUNRO + MRS SUSAN ROBERTA MUNRO <MUNRO FAMILY SUPER FUND A/C>	1,558,000	0.32
13.	CRONEN PTY LTD <THE GOH SUPER FUND A/C>	1,528,000	0.31
14.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,368,814	0.28
15.	SCOTLAND (AUSTRALIA) SUPER PTY LTD <SCOTLAND (AUSTRALIA) SF A/C>	1,363,600	0.28
16.	MR SONG YIN	1,289,411	0.26
17.	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	1,221,887	0.25
18.	MR ANTHONY WOOLLEY <WOOLLEY KENCIAN S/FUND A/C>	1,200,000	0.25
19.	ULTIMATE FIRE PROTECTION PTY LTD	1,136,120	0.23
20.	MR GOLSHAN KHAN	1,130,000	0.23
Total top 20 holders of ordinary fully paid shares		313,240,173	64.18
Total remaining holders balance		174,833,904	35.82

Shareholder Information

Distribution of Shareholdings

Ordinary fully paid shares as at 30 September 2014

Range	Total Holders	Shares	% of Issued Capital
1 – 1,000	3,842	1,599,300	0.33
1,001 – 5,000	3,883	9,826,754	2.01
5,001 – 10,000	1,275	9,827,370	2.01
10,001 – 100,000	2,104	69,544,447	14.25
100,001 and over	359	397,276,206	81.40
Total	11,463	488,074,077	100.00

Unmarketable Parcels

Ordinary fully paid shares as at 30 September 2014

	Total Holders	Shares	Minimum Parcel Size
Minimum \$500.00 parcel at \$0.165 per unit	6,568	6,702,298	3,031

Substantial Shareholders

Ordinary fully paid shares as at 30 September 2014

Name	Shares	% of Shares
Hunter Hall Investment Management Ltd	54,515,948	11.17
M&G Investment Management Ltd	35,460,000	7.27
Baker Steel Capital Managers LLP	33,419,181	6.85
Franklin Resources Inc	32,521,607	6.66

Corporate Directory

BOARD OF DIRECTORS

S J C Wise Non-Executive Chairman
R S Vassie Managing Director & CEO
D W Bailey Non-Executive Director
T C Netscher Non-Executive Director
I L Scotland Non-Executive Director

COMPANY SECRETARY

R R Cole

REGISTERED OFFICE

Level 10, 432 St Kilda Road
Melbourne Victoria 3004 Australia
Telephone: +61 3 8660 1900
Facsimile: +61 3 8660 1999
Email: info@stbarbara.com.au
Website: www.stbarbara.com.au

SHARE REGISTRY

Computershare Investment Services Pty Ltd
GPO Box 2975
Melbourne Victoria 3001 Australia
Telephone (within Australia): 1300 653 935
Telephone (international): +61 3 9415 4356
Facsimile: +61 3 9473 2500

AUDITOR

KPMG
147 Collins Street
Melbourne Victoria 3000 Australia

STOCK EXCHANGE LISTING

Shares in St Barbara Limited are quoted on the Australian Securities Exchange, Ticker Symbol: SBM



St Barbara
LIMITED

ABN 36 009 165 066

Notice of 2014 Annual General Meeting

The 2014 Annual General Meeting of St Barbara Limited will be held:

Date: Tuesday, 25 November 2014

Time: 11:00 am (Melbourne time)

**Venue: Royce Conference Room
Royce Hotel
379 St Kilda Road
Melbourne Victoria 3000**

Meeting Documentation including:

- **Notice of Annual General Meeting**
- **Explanatory Memorandum**
- **Proxy Form**

The Directors recommend that Shareholders vote FOR Resolutions 1 to 6.

The Directors recommend that Shareholders vote AGAINST Resolution 7.

17 October 2014

Dear Shareholder

Annual General Meeting

I am pleased to invite you to the 2014 Annual General Meeting of Shareholders of St Barbara Limited, and hope you will be able to attend in person.

The meeting will be held on Tuesday 25 November 2014 at 11:00 am (Melbourne time) in the Royce Conference Room, Royce Hotel, 379 St Kilda Road Melbourne (between Domain and Toorak Roads). This is a change in venue from the auditorium at the State Library of Victoria, where we have met in recent years.

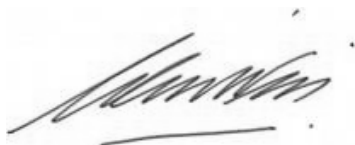
A live audio webcast of the Annual General Meeting will be available on St Barbara's website at www.stbarbara.com.au/investors/webcast/. The audio webcast is 'listen only' and does not enable questions. The audio webcast will also be available on the website after the conclusion of the meeting.

The business of the meeting is set out in the enclosed Notice of Annual General Meeting. Details and the background for each item of business are set out in the accompanying Explanatory Memorandum. Please read this information carefully.

The Board unanimously recommends that you vote in favour of Resolutions 1 to 6 inclusive, and against Resolution 7. The background and reasons for these recommendations are set out in the enclosed Explanatory Memorandum.

If you are not able to personally attend the meeting, details of how you can vote are set out in the enclosed Proxy Form. Please note that Proxy Forms must be received by mail or fax at the designated address, or online, by no later than 11:00 am (Melbourne time) on Sunday 23 November 2014.

Yours sincerely



Colin Wise
Non-Executive Chairman

Contents

Important Notices	4
Key Dates	4
What You Should Do	4
Notice of Annual General Meeting	5
Explanatory Memorandum to Shareholders	8
1. Annual Reports	8
2. Resolution 1: Adoption of Remuneration Report	8
3. Resolution 2: Re-election of Director – Mr Colin Wise.....	9
4. Resolution 3: Election of Director – Mr Tim Netscher	10
5. Resolution 4: Approval of issue of shares to Mr Robert (Bob) Vassie, Managing Director and Chief Executive Officer	10
6. Resolution 5: Approval of issue of performance rights to Mr Robert (Bob) Vassie, Managing Director and Chief Executive Officer	10
7. Resolution 6: Approval of additional 10% placement capacity.....	13
8. Contingent Business – Resolution 7: Spill Resolution	16
9. Definitions	17
Schedule: Performance rights – Further details	18

Proxy Form (separate)

Important Notices

A copy of this document has been lodged with ASX. ASX and its officers take no responsibility for the contents of this document.

Certain capitalised terms used in this document are defined in section 9 of the Explanatory Memorandum.

Key Dates

Deadline for receipt of Proxy Forms	11:00am (Melbourne time) on Sunday 23 November 2014
Date and time for determining eligibility to vote	11:00am (Melbourne time) on Sunday 23 November 2014
Date and time of Annual General Meeting	11:00am (Melbourne time) on Tuesday 25 November 2014

What You Should Do

Step 1 - Read this Meeting Documentation

This is an important document. This Meeting Documentation sets out the business of the Annual General Meeting. Please read this document carefully and, if you are not sure what to do, please consult your legal or financial adviser immediately.

Step 2 - Vote on the Resolutions

Your vote is important.

If you are unable to attend the meeting in person, please complete the Proxy Form that accompanies this Meeting Documentation and return it in the reply paid envelope to the Company's share registry, Computershare, before Sunday, **23 November 2014 at 11:00am** (Melbourne time). Proxy Forms received after this time will not be effective for the scheduled commencement of the Annual General Meeting.

For details on how to complete and lodge the Proxy Form, please refer to the instructions on the Proxy Form.

If you wish to appoint a proxy on the enclosed Proxy Form to vote on your behalf in the manner consistent with the voting recommendations of the Board:

- mark the "FOR" box for **Resolutions 1 to 6**, and
- mark the "AGAINST" box for **Resolution 7** (the Spill Resolution) as set out in the example below:

STEP 2		Items of Business	PLEASE NOTE: If you mark the Abstain box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.		
Board recommendations and undirected proxies: To fully inform shareholders in exercising their right to vote, the Board recommends that shareholders vote, and the Chairman of the Meeting intends to vote undirected proxies (to the extent permitted by law), in the manner set out beside each resolution.					
			For	Against	Abstain
For	Resolution 1	Adoption of Remuneration Report	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For	Resolution 2	Re-election of Director - Mr Colin Wise	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For	Resolution 3	Election of Director - Mr Tim Netscher	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For	Resolution 4	Approval of issue of shares to Mr Robert (Bob) Vassie, Managing Director and Chief Executive Officer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For	Resolution 5	Approval of issue of performance rights to Mr Robert (Bob) Vassie, Managing Director and Chief Executive Officer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For	Resolution 6	Approval of additional 10% placement capacity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Against	Resolution 7	Spill Resolution (contingent item - refer to Notice of Meeting)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Questions

If you have any questions about any matter contained in this Meeting Documentation, please contact Mr Rowan Cole, Company Secretary, on +61 3 8660 1900.

St Barbara Limited

ABN 36 009 165 066

Notice of Annual General Meeting

Notice is given that the 2014 Annual General Meeting of the Company will be held on Tuesday, 25 November 2014 at 11:00am (Melbourne time) in the Royce Conference Room, Royce Hotel, 379 St Kilda Road, Melbourne, Victoria.

Agenda

1. Annual Reports

To receive and consider the Annual Financial Report of the Company and the reports of the Directors and Auditor for the year ended 30 June 2014.

2. Resolution 1: Adoption of Remuneration Report

To consider and, if thought fit, pass the following as an ordinary resolution:

“That the Remuneration Report for the year ended 30 June 2014 as set out on pages 21 to 37 (inclusive) of the Annual Report be adopted.”

Note – the vote on this resolution is advisory only and does not bind the Directors or the Company.

3. Resolution 2: Re-election of Director – Mr Colin Wise

To consider and, if thought fit, pass the following as an ordinary resolution:

“That Mr Colin Wise, being a Director of the Company who retires pursuant to article 6.3 of the Company’s Constitution, and being eligible, is re-elected as a Director of the Company.”

4. Resolution 3: Election of Director – Mr Tim Netscher

To consider and, if thought fit, pass the following as an ordinary resolution:

“That Mr Tim Netscher, being a Director of the Company who was appointed to the Board since the last annual general meeting and retires pursuant to article 6.3 of the Company’s Constitution, and being eligible, is elected as a Director of the Company.”

5. Resolution 4: Approval of issue of shares to Mr Robert (Bob) Vassie, Managing Director and Chief Executive Officer

To consider and, if thought fit, pass the following as an ordinary resolution:

“That, for the purposes of Listing Rule 10.11 and for all other purposes, in part consideration of his employment as Managing Director and Chief Executive Officer of the Company, Mr Bob Vassie be issued 833,333 fully paid ordinary shares in the capital of the Company, on the terms and conditions set out, in the Explanatory Memorandum accompanying the Notice convening this Annual General Meeting.”

6. Resolution 5: Approval of issue of performance rights to Mr Robert (Bob) Vassie, Managing Director and Chief Executive Officer

To consider and, if thought fit, pass the following as an ordinary resolution:

“That, for the purposes of Listing Rule 10.14, sections 200B and 200E of the Corporations Act and for all other purposes, in part consideration of his employment as Managing Director and Chief Executive Officer of the Company in respect of the current 2015 financial year, Mr Bob Vassie be issued 4,062,500 performance rights to acquire fully paid ordinary shares in the capital of the Company, on the terms and conditions set out, and approval be given to provide Mr Vassie the benefits described, in the Explanatory Memorandum accompanying the Notice convening this Annual General Meeting.”

7. Resolution 6: Approval of additional 10% placement capacity

To consider and, if thought fit, pass the following as a special resolution:

“That, for the purpose of Listing Rule 7.1A, the issue of fully paid ordinary shares of up to 10% of the issued capital of the Company, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum accompanying the Notice convening this Annual General Meeting, is approved.”

8. Contingent Business - Resolution 7: Spill Resolution

Note: Resolution 7 will only be considered at the Annual General Meeting if at least 25% of the votes cast on Resolution 1 are against the adoption of the Remuneration Report.

To consider and, if thought fit, pass the following as an ordinary resolution:

"That, as required by the Corporations Act:

- (i) a meeting of the Company's members be held within 90 days of the date of the 2014 Annual General Meeting (the **Spill Meeting**);
- (ii) each of Mr Colin Wise*, Mr Tim Netscher*, Ms Ines Scotland, and Mr Douglas Bailey (or such of them as are directors on the date of the Spill Meeting) cease to hold office immediately before the end of the Spill Meeting;
- (iii) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote at the Spill Meeting."

**This assumes that Mr Wise will be re-elected and Mr Netscher will be elected at the Annual General Meeting under Resolution 2 and Resolution 3.*

Explanatory Memorandum

We recommend that you read the Explanatory Memorandum accompanying and forming part of this Notice of Annual General Meeting.

Entitlement to Vote

1. Eligibility

The Board has determined that, for the purposes of voting at the Annual General Meeting, Shareholders are those persons who are the registered holders of Shares at 23 November 2014 at 11:00 am (Melbourne time).

2. Voting Restrictions

Resolution 1: Adoption of the Remuneration Report (and Resolution 7: Spill Resolution)

The Remuneration Report identifies the Company's Key Management Personnel for the financial year to 30 June 2014.

Under the Corporations Act, Key Management Personnel (including Directors) of the Company, details of whose remuneration are included in the Remuneration Report, and their closely related parties (as defined in the Corporations Act), (each a **Restricted Person**), are prohibited from voting on Resolution 1 (and Resolution 7) in any capacity (eg: as a Shareholder, proxy, attorney or corporate representative).

However, the prohibition does not apply if:

- a Restricted Person is appointed as a proxy for a Shareholder entitled to vote and the proxy appointment specifies the way the Restricted Person is to vote on the resolution; or
- the Chairman has been appointed as a proxy for a Shareholder entitled to vote and the proxy appointment:
 - does not specify the way the Chairman is to vote on the resolution; and
 - expressly authorises the Chairman to exercise the proxy (notwithstanding that Resolution 1 (and Resolution 7) is connected directly or indirectly with the remuneration of Key Management Personnel).

The Chairman intends to vote undirected proxies (where the Chairman has been appropriately authorised) in favour of Resolution 1 (and against Resolution 7, if that item is considered at the meeting).

Other Directors and other Key Management Personnel of the Company and their closely related parties must not cast any votes in respect of Resolution 1 (or Resolution 7) that arise from any undirected proxy that they hold.

Resolution 4: Approval of issue of shares to Mr Bob Vassie and Resolution 5: Approval of issue of performance rights to Mr Bob Vassie

In accordance with the ASX Listing Rules (and having regard to the voting restrictions in section 200E(2A) of the Corporations Act as it applies to Resolution 5), the Company will disregard any votes cast on each of Resolution 4 and Resolution 5 by Mr Vassie and his associates, other than where the vote:

- is cast by a person as proxy for a Shareholder who is entitled to vote, in accordance with the directions on the Proxy Form; or
- is cast by the Chairman as proxy for a Shareholder who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Further, under the Corporations Act, the Company's Key Management Personnel and their closely related parties are prohibited from voting on resolutions connected directly or indirectly with the remuneration of Key Management Personnel (such as Resolution 4 and Resolution 5) as a proxy for a Shareholder entitled to vote where the proxy appointment does not specify the way the proxy is to vote on the resolution.

However, this Corporations Act prohibition does not apply if the Chairman has been appointed as the proxy and the proxy appointment expressly authorises the Chairman to exercise an undirected proxy. The Chairman intends to vote undirected proxies (where the Chairman has been appropriately authorised) in favour of each of Resolution 4 and Resolution 5.

Resolution 6: Approval of 10% placement capacity

The Company will disregard any votes cast on Resolution 6 by a person who may participate in the issue of Shares and a person who might obtain a benefit if this resolution is passed, except a benefit obtained by a person solely in their capacity as a holder of Shares, and any of their associates.

However, the Company will not disregard a vote if it is cast by a person as proxy for a Shareholder who is entitled to vote, in accordance with the directions on the Proxy Form, or by the Chairman as proxy for a Shareholder who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Proxy Information

If you are entitled to attend the meeting and vote, you may appoint a proxy to attend and vote on your behalf. A proxy need not be a Shareholder and can be either an individual or a body corporate.

If you appoint a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act; and
- provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

If such evidence is not received before the meeting, then the body corporate (through its representative) will not be permitted to act as a proxy.

If you are entitled to cast 2 or more votes, you may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy will exercise half of your votes.

A Proxy Form accompanies this Notice of Annual General Meeting and to be effective it, and any authority under which the Proxy Form is signed, must be received by St Barbara's share registry **by no later than 11:00am on 23 November 2014 (Melbourne time)** by one of the following methods:

Mail to: Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria, 3001

Fax to: 1800 783 447 (within Australia), +61 3 9473 2555 (outside Australia)

Online: login at www.investorvote.com.au using the Control Number found on the front of your accompanying proxy form and follow the instructions. Alternatively, with your mobile device scan the QR code located on the front of the proxy form and follow the instructions. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

For intermediary online subscribers only (custodians) please visit www.intermediaryonline.com.

By Order of the Board



Rowan Cole
Company Secretary
17 October 2014

St Barbara Limited

ABN 36 009 165 066

Explanatory Memorandum to Shareholders

This Explanatory Memorandum has been prepared to assist Shareholders to understand the business to be put to Shareholders at the forthcoming Annual General Meeting on 25 November 2014.

Ordinary Business

1. Annual Reports

The Corporations Act requires:

- the reports of the Directors and Auditor; and
- the Annual Financial Report, including the financial statements of the Company for the year ended 30 June 2014,

to be laid before the Annual General Meeting.

The 2014 Annual Report is available on the St Barbara website at www.stbarbara.com.au.

The Corporations Act does not require a vote of Shareholders on the reports or statements. However, Shareholders will be able to ask questions at the meeting in relation to the reports.

Also, a reasonable opportunity will be given to Shareholders to ask the Company's Auditor for the year ended 30 June 2014, Mr Tony Romeo, Partner, KPMG, questions relevant to the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the Auditor in relation to the conduct of the audit.

2. Resolution 1: Adoption of Remuneration Report

The Remuneration Report provides details of remuneration paid to Non-Executive Directors, the Managing Director and Chief Executive Officer and senior executives. The Remuneration Report is set out on pages 21 to 37 (inclusive) of the 2014 Annual Report, and is available on the St Barbara website at www.stbarbara.com.au.

The Remuneration Report is required to be considered for adoption in accordance with section 250R of the Corporations Act. The vote on this resolution is advisory only and does not bind the Directors or the Company.

Response to vote against 2013 Remuneration Report

At the Company's Annual General Meeting of Shareholders held on 26 November 2013, 69% of votes cast were in favour of adoption of the 2013 Remuneration Report and 31% of votes cast were against.

Even though a majority of the votes cast were in favour of adoption of the 2013 Remuneration Report, as more than 25% of the votes cast were against the resolution, the Company received a "First Strike" against the Remuneration Report.

In these circumstances, the Corporations Act requires the Company to include in the 2014 Remuneration Report, an explanation of the Board's proposed action in response to that First Strike or, alternatively, if the Board does not propose any action, the Board's reason for such inaction.

In response to the First Strike, the Company has considered the views of Shareholders and proxy advisors expressed to the Chairman of the Remuneration Committee and senior executives in connection with the 2013 Remuneration Report.

Whilst the majority of the votes cast on the adoption of the 2013 Remuneration Report and at least one proxy advisor supported the 2013 Remuneration Report, the principal concern noted was the payment of short term incentives to senior executives in a year when the Company as a whole did not perform well in relation to market guidance nor relative to its peer group.

Since the 2013 Annual General Meeting the Board has taken the following steps:

- reduced Directors' fees by 10% from 1 March 2014
- the Short Term Incentive (STI) plan has been amended to include an absolute discretion of the Board to not pay an STI, where the Company's performance has been poor. In the 2014 financial year, the Board applied its discretion not to award an STI to senior executives
- the aggregate remuneration payable to senior executives has been reduced in three ways:
 - i) the number of current senior executives is half the number at the time of the 2013 Annual General Meeting, from six to three as at the date of this Notice of Annual General Meeting
 - ii) the fixed component of the Managing Director and Chief Executive Officer's remuneration was reduced by 10% from 1 March 2014, and the new Managing Director and Chief Executive Officer, Mr Bob Vassie, commenced with the Company on 1 July 2014 on a fixed remuneration of approximately 20% less than his predecessor
 - iii) the quantum of the allocation of performance rights to the Managing Director and Chief Executive Officer under the long term incentive (LTI) for the 2015 financial year has been reduced by 25%.

In addition, there was no increase to senior executive remuneration during the 2014 financial year. The Board remains confident that the Company's remuneration policy and the level and structure of its senior executive remuneration are suitable for the St Barbara Group and its Shareholders.

Second Strike

In the event that at the 2014 Annual General Meeting, at least 25% of the votes cast on Resolution 1 are against adoption of the 2014 Remuneration Report, a "Second Strike" will occur.

Consequences of a Second Strike

Should a Second Strike occur, the Company is required to put a "spill" resolution to the Annual General Meeting. If approved, the "spill" resolution requires a general meeting of Shareholders to be held within 90 days of the Annual General Meeting, to vote on the re-election of all current Non-Executive Directors. Further details of this process are included in the explanatory notes for Resolution 7.

Significant Board renewal has occurred in the last year. Of the six Directors in office as at 22 August 2013 when the 2013 Remuneration Report was released, only two remain in office at the date of the 2014 Remuneration Report.

Directors in office at date of 2013 Remuneration Report		Directors in office at date of 2014 Remuneration Report	
S J C Wise	Non-Executive Chairman	S J C Wise	Non-Executive Chairman
T J Lehany	Managing Director & CEO	R S Vassie	Managing Director & CEO
D W Bailey	Non-Executive Director	D W Bailey	Non-Executive Director
E A Donaghey	Non-Executive Director	I L Scotland	Non-Executive Director
P C Lockyer	Non-Executive Director	T C Netscher	Non-Executive Director
R K Rae	Non-Executive Director		

The Board unanimously recommends that Shareholders vote in favour of this resolution.

3. Resolution 2: Re-election of Director – Mr Colin Wise

Mr Colin Wise LL.B, FAICD, FAusIMM

Mr Wise is Non-Executive Chairman of the Board and has been a Director of the Company since 2004, and is a member of the Remuneration Committee and the Audit and Risk Committee. 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 spread over more than 40 years. He has extensive practical experience in Australia and internationally with a wide range of corporate, operational and legal matters. He has been Non-Executive 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.

The Board, with Mr Wise abstaining, unanimously recommends that Shareholders vote in favour of this resolution.

4. **Resolution 3: Election of Director – Mr Tim Netscher**

Mr Tim Netscher BSc (Eng) (Chemical), BCom, MBA, FIChE, CEng, MAICD

Mr Netscher was appointed as a Director on 17 February 2014 and is Chair of the Health, Safety, Environment and Community Committee, and is a member of the Audit and Risk Committee. Mr Netscher was the Managing Director of Gindalbie Metals Limited from 2011 to 2013, and is currently the Non-Executive Chairman of Deep Yellow Limited, a Non-Executive Director of Western Areas Limited and Gold Road Resources Limited, all ASX listed companies, and is a Non-Executive Director of the unlisted Aquila Resources Limited. A chemical engineer, he is an experienced international mining executive with extensive operational, project development, and transactional experience and expertise in senior executive management roles.

The Board, with Mr Netscher abstaining, unanimously recommends that Shareholders vote in favour of this resolution.

5. **Resolution 4: Approval of issue of shares to Mr Robert (Bob) Vassie, Managing Director and Chief Executive Officer**

Introduction

As announced to ASX on 23 June 2014, the Board has resolved, subject to Shareholder approval, to issue Mr Vassie, Managing Director and Chief Executive Officer, 833,333 Shares in the capital of the Company. The number of Shares was determined by dividing \$100,000 by \$0.12, being the five day volume weighted average price (**VWAP**) prior to 1 July 2014.

The Board agreed to issue these Shares to Mr Vassie as a commencement incentive in connection with his appointment as Managing Director and Chief Executive Officer which took effect on 1 July 2014.

Shareholder approval

Shareholder approval for the issue of Shares to Mr Vassie is sought for all purposes under the Corporations Act and the ASX Listing Rules, including for the purpose of Listing Rule 10.11. Under that Listing Rule, the Company must not issue or agree to issue Shares to a Director without the approval of Shareholders. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Disclosures made for the purposes of Listing Rule 10.13:

In accordance with Listing Rule 10.13, the Company notes that:

- the number of securities that can be awarded to Mr Vassie if this resolution is approved is 833,333 Shares;
- no amount is payable on the issue of the Shares;
- the Shares will rank equally with all other existing Shares in all respects as from their date of issue, including voting rights and entitlements to participate in dividends;
- if Resolution 4 is approved, the Shares will be issued to Mr Vassie within one month of the Annual General Meeting.

Board recommendation

The Board, with Mr Vassie abstaining, unanimously recommends the approval of the issue of the shares to Mr Vassie and, accordingly, that Shareholders vote in favour of this resolution.

6. **Resolution 5: Approval of issue of performance rights to Mr Robert (Bob) Vassie, Managing Director and Chief Executive Officer**

Introduction

The Board has resolved, subject to Shareholder approval, to issue Mr Vassie, Managing Director and Chief Executive Officer, performance rights pursuant to the Performance Rights Plan (**PRP**) approved at the 2010 Annual General Meeting of the Company, to acquire Shares in the capital of the Company, in the quantum and on the terms which are set out below.

- The number of performance rights to be issued in respect of the 2015 financial year (**FY15 Performance Rights**) is 4,062,500.

- FY15 Performance Rights are priced at \$0.12 per right, based on the 10 day VWAP up to and including 30 June 2014 (10 day VWAP to 30 June 2013: \$0.49).
- The issue of the FY15 Performance Rights is subject to the terms of the PRP, details of which were approved by Shareholders in 2010.
- No cash consideration is payable for the issue, or vesting or exercise of the FY15 Performance Rights.
- The FY15 Performance Rights will vest subject to prescribed service and performance conditions being met. The number of FY15 Performance Rights that vest will be subject to the Company's relative performance for each of the performance conditions.
 1. The service condition requires continuous employment for a three year period commencing on 1 July 2014. The Board has discretion in circumstances of death, disability or bona fide redundancy to vary the service condition and reduce the number of performance rights proportionately for a period of service of less than three years.
 2. The performance conditions comprise the following:
 - a. a condition based on Relative Total Shareholder Return; and
 - b. a condition based on the Return On Capital Employed by the Company,
 each of which is calculated over the three year period commencing 1 July 2014 and is described in more detail in the attached Schedule.
- Subject to the satisfaction of the service and performance conditions, Mr Vassie will receive one Share for each FY15 Performance Rights granted. Any FY15 Performance Rights which does not vest will lapse.
- The FY15 Performance Rights will not be listed on ASX and will not be transferable, except as permitted under the PRP.
- In the event of a change of control of the Company, the PRP provides that the Board may, in its absolute discretion, determine that all or a specified number of FY15 Performance Rights vest, having regard to whether pro-rata performance is in line with the performance conditions applicable to those FY15 Performance Rights over the period from the date of grant to the date of change of control.

The FY15 Performance Rights represent the LTI component of Mr Vassie's total remuneration in respect of the 2015 financial year.

Shareholder approval

Shareholder approval for the issue of the FY15 Performance Rights to Mr Vassie is sought for all purposes under the Corporations Act and the ASX Listing Rules, including for the following purposes:

- Under Listing Rule 10.14, the acquisition of securities by a director under an employee incentive scheme requires Shareholder approval. Shareholder approval is therefore sought for the acquisition by Mr Vassie of the FY15 Performance Rights and Shares upon vesting of the FY15 Performance Rights. If approval is given under Listing Rule 10.14, approval is not required under Listing Rule 7.1.
- Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or a related body corporate if it is approved by Shareholders or an exemption applies. Section 200B of the Corporations Act applies to managerial or executive officers of the Company or any of its subsidiaries, which includes Mr Vassie. The term 'benefit' has a wide operation and includes the early vesting of the FY15 Performance Rights under the rules of the PRP.

- It is proposed, therefore, that this resolution will also approve, under section 200E of the Corporations Act, any 'termination benefit' that may be provided to Mr Vassie under the PRP in relation to the FY15 Performance Rights to be granted to him, in addition to any other termination benefits that may be provided to Mr Vassie under the Corporations Act. The termination benefit that may be given under the PRP is the early vesting of the FY15 Performance Rights (and the receipt of Shares upon exercise of the FY15 Performance Rights) if Mr Vassie ceases employment with the Company due to death, disability, bona fide redundancy or other reason with the approval of the Board.

The value of such benefits cannot presently be ascertained but matters, events and circumstances that will, or are likely to, affect the calculation of that value include:

1. the number of performance rights held by Mr Vassie prior to cessation of employment;
2. the number of performance rights that vest (which could be all of the performance rights held by Mr Vassie). The Board's decision as to the number of performance rights that vest will depend on, among other things, the circumstances of Mr Vassie's cessation of employment (for example, whether due to death, disability, redundancy or other reasons approved by the Board), the Board's assessment of Mr Vassie's performance in the period up to cessation of employment, the degree to which the performance conditions have been met at the relevant time, and the duration of Mr Vassie's employment; and
3. the market price of Shares on ASX on the last ASX trading day before the date of calculation.

The number of performance rights that could vest upon Mr Vassie ceasing employment, where the Board determines to permit performance rights to vest, will not exceed the maximum number of performance rights held by Mr Vassie.

Disclosures made for the purposes of Listing Rule 10.15:

In accordance with Listing Rule 10.15, the Company notes that:

- the maximum number of securities that can be awarded to Mr Vassie if this resolution is approved is 4,062,500 FY15 Performance Rights, entitling Mr Vassie to a maximum of 4,062,500 Shares if all FY15 Performance Rights subsequently vest;
- the price payable on the issue, vesting or exercise of each FY15 Performance Rights is nil;
- Mr Vassie has not previously been granted performance rights;
- Mr Vassie is the only Director entitled to participate in the PRP because he is the only Executive Director and the Company has not declared any Non-Executive Director as being eligible to participate in the PRP;
- there have not been any grants made to any Director or associate of a Director under the PRP since Shareholder approval was last obtained at the Company's Annual General Meeting held on 26 November 2013, aside from the issue of 1,871,642 performance rights (for nil cash consideration and no amount payable on vesting) to Mr Tim Lehany on 4 December 2013, in accordance with Shareholder approval obtained at the Company's Annual General Meeting held on 26 November 2013;
- there is no loan proposed in relation to the proposed award of the FY15 Performance Rights to Mr Vassie; and
- Mr Vassie's FY15 Performance Rights are intended to be granted by 31 December 2014 and in any event will not be granted later than 12 months after the date of the meeting.

Board recommendation

The Board, with Mr Vassie abstaining, unanimously recommends the approval of the issue of the performance rights to Mr Vassie and, accordingly, that Shareholders vote in favour of this resolution.

7. Resolution 6: Approval of additional 10% placement capacity

General

Listing Rule 7.1A enables an "eligible entity" that has obtained Shareholder approval by special resolution at an annual general meeting to do so, to issue up to an additional 10% of its issued share capital by way of placements over a 12 month period after the annual general meeting (**10% Placement Facility**).

The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1. Listing Rule 7.1 imposes a limit on the number of equity securities that the Company can issue or agree to issue without Shareholder approval. It effectively provides that, without Shareholder approval, the Company cannot issue a number of equity securities which is more than 15% of the number of ordinary Shares on issue 12 months before the issue. Equity securities that are issued with Shareholder approval or under other exemptions in the Listing Rule do not dilute this 15% capacity.

An "eligible entity" is one that, at the date of the resolution, is not in the S&P/ASX300 Index and has a market capitalisation of less than \$300 million.

The Company is an eligible entity for the purpose of Listing Rule 7.1A and is seeking Shareholder approval, by way of a special resolution, to have the ability to issue additional Shares under the 10% Placement Facility, without the need for further Shareholder approval.

The Board considers it prudent for the Company to have the opportunity to avail itself of the flexibility provided under Listing Rule 7.1A to be able to issue additional Shares. No decision has been made by the Board to undertake any issue of securities if Shareholders approve Resolution 6.

Information about the 10% Placement Facility

Pursuant to and in accordance with Listing Rule 7.3A, the following information is provided in relation to the approval of the 10% Placement Facility:

Minimum issue price

The issue price of Shares issued under the 10% Placement Facility will not be less than 75% of the volume weighted average price of the Company's Shares calculated over the 15 trading days on which trades were recorded immediately before:

- the date on which the price at which the Shares are to be issued is agreed (the transaction date); or
- if the Shares are not issued within 5 trading days of the transaction date, the date on which the Shares are issued.

Period of the approval

If Shareholders approve Resolution 6 at the Annual General Meeting, the approval to issue Shares under the 10% Placement Facility will operate from 25 November 2014 until the earlier of:

- 25 November 2015; and
- the date (if any) Shareholders approve a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(the **10% Placement Period**).

Potential placement capacity under Listing Rules 7.1 and 7.1A

The ability of the Company to issue Shares under Listing Rule 7.1A is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

If Resolution 6 is passed at the Annual General Meeting, the Company would have the capacity to issue fully paid ordinary shares under the 10% Placement Facility under Listing Rule 7.1A, before the end of the 10% Placement Period without further Shareholder approval.

The actual number of Shares that the Company will have capacity to issue under the 10% Placement Facility will be calculated at the date of issue of the Shares (or the agreement to issue) in accordance with the formula in Listing Rule 7.1A.2.

Risk of economic and voting dilution of existing Shareholders

If Resolution 6 is approved by Shareholders and the Company issues further Shares under the 10% Placement Facility, there is a risk of economic and voting dilution for existing Shareholders. In addition, there is a risk that:

- the market price for the Company's Shares may be significantly lower on the date of the issue of the Shares than on the date of the Annual General Meeting; and
- the Shares may be issued at a price that is at a discount to the market price for the Company's Shares on the issue date,

each of which may have an effect on the amount of funds raised by the issue of the Shares.

As required by Listing Rule 7.3A.2, the table below shows a number of hypothetical scenarios for the 10% Placement Facility where variable "A" in the formula in Listing Rule 7.1A.2 (representing the Company's share capital) has increased by either 50% or 100%, and the Share price has decreased by 50% or increased by 100% from the closing price of the Company's Shares on ASX on 3 October 2014.

Share Capital Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.0725 50% decrease in Issue Price	\$0.145 Issue Price (being the closing price of Shares on ASX on 3 October 2014)	\$0.29 100% increase in Issue Price
Current Share Capital 488,074,077 Shares	10% voting dilution	48,807,407 Shares	48,807,407 Shares	48,807,407 Shares
	Funds raised	\$3,538,537	\$7,077,074	\$14,154,148
50% increase in Share Capital 732,111,115 Shares	10% voting dilution	73,211,111 Shares	73,211,111 Shares	73,211,111 Shares
	Funds raised	\$5,307,806	\$10,615,611	\$21,231,222
100% increase in Share Capital 976,148,154 Shares	10% voting dilution	97,614,815 Shares	97,614,815 Shares	97,614,815 Shares
	Funds raised	\$7,077,074	\$14,154,148	\$28,308,296

The table has been prepared on the basis of the following hypothetical assumptions and only to satisfy the requirements of Listing Rule 7.3A.2. The Company does not represent that any of the assumptions will occur or prove to be correct:

- The table assumes that the Company issues the maximum number of Shares available under the 10% Placement Facility
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%
- The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility
- The table shows only the effect of issues of Shares under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1

- The table shows the funds that would be raised at an issue price of \$0.145 (being the closing price of the Company's Shares on ASX on 3 October 2014).

"Current" Variable 'A' is the number of Shares on issue at 3 October 2014. The two further examples show the impact where variable 'A' has increased by 50% and 100%. This number may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro-rata entitlement offer, share purchase plan or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved by Shareholders.

Purposes of any issue

The Company is seeking the approval in Resolution 6 to provide it with additional flexibility in the 10% Placement Period. In particular, the Company may seek to issue the Shares under the 10% Placement Facility for either:

- a cash issue price. In this case, the Company may use the funds for working capital or for other corporate purposes; and/or
- non-cash consideration, such as the acquisition of new assets or investments, subject to applicable ASX requirements.

In either case, the cash issue price or the value of the non-cash consideration must comply with the minimum issue price noted above if the approval obtained under Resolution 6 is to apply in relation to the issue.

Allocation policy for the 10% Placement Facility

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue under the 10% Placement Facility. The identity of the allottees of Shares will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- the methods of raising funds that are available to the Company, including but not limited to, pro-rata entitlement offers, share purchase plans or other issues in which existing Shareholders can participate;
- the effect of the issue of the Shares on the control of the Company;
- the financial situation of the Company; and
- advice from corporate, financial and broking advisers (if applicable). No allottees for any issues under the 10% Placement Facility have been determined as at the date of this Notice of Annual General Meeting. Allottees may include existing substantial Shareholders and/or new Shareholders. Directors, related parties or associates of a related party of the Company cannot participate in any issue without further specific Shareholder approval.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Shares under the 10% Placement Facility.

Previous approvals under Listing Rule 7.1A

The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.

Board recommendation

The Board considers it prudent for the Company to have the opportunity to avail itself of the flexibility provided under Listing Rule 7.1A to be able to issue Shares. No decision has been made by the Board to undertake any issue of securities if Shareholders approve Resolution 6. The Board believes that Resolution 6 is in the best interests of the Company and unanimously recommends that Shareholders vote in favour of this resolution to approve the additional 10% placement capacity.

8. Contingent Business – Resolution 7: Spill Resolution

Note: Resolution 7 will only be considered at the Annual General Meeting if at least 25% of the votes cast on Resolution 1 are against the adoption of the Remuneration Report.

At the Company's 2013 Annual General Meeting, more than 25% of the votes cast on the resolution to adopt the Remuneration Report were against adopting the report. If at least 25% of the votes cast on Resolution 1 are against adopting the Remuneration Report at the 2014 Annual General Meeting, the Corporations Act requires that Resolution 7 be put to the Annual General Meeting and voted (a **Spill Resolution**).

The Spill Resolution will be an ordinary resolution.

Shareholders should note that if the Spill Resolution is passed:

- the Company will be required to convene a general meeting of Shareholders to be held within 90 days of the date of the 2014 Annual General Meeting (the **Spill Meeting**); and
- all of the Company's Directors who were directors of the Company when the resolution to make the Directors' Report for the year ended 30 June 2014 was passed other than Mr Bob Vassie, the Company's Managing Director and Chief Executive Officer (the **Relevant Directors**) will cease to hold office immediately before the end of the Spill Meeting.

Each Relevant Director is eligible, but not required, to seek re-election as a director of the Company at the Spill Meeting.

Board recommendation

If Resolution 7 needs to be considered at the Annual General Meeting, the Board recommends that Shareholders vote AGAINST the resolution. The Board's extensive response to the vote against the 2013 Remuneration Report is set out under Resolution 1 'Adoption of Remuneration Report' in this Explanatory Memorandum.

Significant Board renewal has already occurred in the last year. Of the six Directors in office as at 22 August 2013 when the 2013 Remuneration Report was released, only two remain in office at the date of this Notice. Consequently, the Board considers that the holding of a Spill Meeting in order to change the composition of the Board would be significantly disruptive to the Company, and unnecessary in light of the significant change in Directors that has already occurred.

9. Definitions

Annual General Meeting means the annual general meeting of St Barbara to be held on Tuesday 25 November 2014 at 11:00am (Melbourne time) in the Royce Hotel, 379 St Kilda Road, Melbourne, Victoria to consider and, if thought fit, pass the resolutions set out in the Notice of Annual General Meeting

Annual Report means the 2014 annual report of St Barbara

ASX means ASX Limited

ASX Listing Rules means the Official Listing Rules of ASX Limited

Auditor means KPMG

Board means the board of Directors of St Barbara

Chairman means the chairman of the Annual General Meeting of St Barbara

Corporations Act means the *Corporations Act 2001* (Cth)

Director means a director of St Barbara

Explanatory Memorandum means the explanatory memorandum accompanying the Notice of Annual General Meeting contained in this Meeting Documentation

Key Management Personnel has the meaning given in the Corporations Act

Meeting Documentation means this document comprising of the Notice of Annual General Meeting, Explanatory Memorandum and the Proxy Form

Non-Executive Director means a non-executive Director

Notice of Annual General Meeting means the notice of meeting which is enclosed in the Meeting Documentation

Proxy Form means the proxy form for the Annual General Meeting contained in the Meeting Documentation

Share means a fully paid ordinary share in the capital of St Barbara

Shareholder means a holder of Shares

St Barbara or the **Company** means St Barbara Limited ABN 36 009 165 066

Schedule: Performance rights – Further details

Performance rights to be granted in respect of the 2015 financial year (**FY15 Performance Rights**) will be offered pursuant to the terms of the Performance Rights Plan (**PRP**) approved at the 2010 Annual General Meeting of the Company and the performance conditions set out below.

1. Performance rights pricing

The issue price of the performance rights is based on the 10 day volume weighted average price (**VWAP**) on the ASX of the Company's share price up to, and including, the last business day of the financial period immediately preceding the period that the performance rights relate to.

FY15 Performance Rights are priced at \$0.12 per right, based on the 10 day VWAP up to and including 30 June 2014.

2. Performance conditions for performance rights

The performance conditions for FY15 Performance Rights will be measured over a three year vesting period commencing 1 July 2014 and ending on 30 June 2017. Vesting conditions include satisfying conditions relating to:

- Relative Total Shareholder Returns (67% weighting); and
- Return on Capital Employed (33% weighting).

3. Change of control

In the event of a change of control of the Company, the PRP provides that the Board may, in its absolute discretion, determine that all or a specified number of a participant's Performance Rights vest, having regard to whether pro-rata performance is in line with the performance conditions applicable to those Performance Rights over the period from the date of grant to the date of change of control.

4. Percentage of relevant total fixed remuneration offered as LTIs for the 2015 financial year

Managing Director and Chief Executive Officer	75%
Executive General Managers	60%
General Managers	45%

The Board has the discretion to vary the relevant percentage each year, having regard to external advice and / or relevant market benchmarks.

5. An example of how performance rights are calculated for the 2015 financial year (assuming the maximum award level) is set out below:

Executive Level 5 Total Fixed Remuneration (TFR)	\$400,000
(for illustrative purposes)	
LTI award value 60% of TFR	\$240,000 (i.e. 60% of TFR)
Performance rights issue price (10 day VWAP)	\$0.12
Performance rights to be granted ($\$240,000 \div \0.12)	2,000,000

6. Relative TSR

The Relative Total Shareholder Return (**Relative TSR**) is measured against a defined peer group of companies which the Board considers compete with the Company 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 Company.

The comparator group of companies for FY15 Performance Rights comprises:

Alacer Gold Corp. (ASX: AQG)	OceanaGold Corporation (ASX: OGC)
Beadell Resources Limited (ASX: BDR)	Perseus Mining Limited (ASX: PRU)
Evolution Mining Limited (ASX: EVN)	Ramelius Resources Limited (ASX: RMS)
Focus Minerals Ltd (ASX: FML)	Regis Resources Limited (ASX: RRL)
Gryphon Minerals Limited (ASX: GRY)	Resolute Mining Limited (ASX: RSG)
Intrepid Mines Limited (ASX: IAU)	Saracen Mineral Holdings Limited (ASX: SAR)
Kingsgate Consolidated Limited (ASX: KCN)	Silver Lake Resources Limited (ASX: SLR)
Kingsrose Mining Limited (ASX: KRM)	Tanami Gold NL (ASX: TAM)
Medusa Mining Limited (ASX: MML)	Troy Resources Limited (ASX: TRY)
Northern Star Resources Ltd (ASX: NST)	

At the discretion of the Board, the composition of the comparator group may change from time to time.

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. Where a comparator company ceases to be listed on the ASX during the vesting period, the corresponding TSR is adjusted, taking into account the period the ceasing company was listed and the average TSR of the remaining comparator companies.

The proportion of the FY15 Performance Rights that vest will be influenced by the Company's TSR relative to the comparator group over the three year vesting period commencing 1 July 2014 and ending on 30 June 2017 as outlined below:

Relative TSR Performance	% Contribution to the Number of Performance Rights to Vest
Below 50 th percentile	0%
50 th percentile	50%
Between 50 th & 75 th percentiles	Pro-rata from 50% to 100%
75 th percentile and above	100%

7. Return on Capital Employed (ROCE)

The proportion of the FY15 Performance Rights that vest will be influenced by the ROCE achieved by the Company over the three year vesting period commencing 1 July 2014 and ending on 30 June 2017 as outlined below:

Return on Capital Employed (ROCE)	% Contribution to the Number of Performance Rights to Vest
Less than or equal to the average annual weighted average cost of capital (WACC) over the three year period commencing on 1 July 2014	0%
WACC (calculated as above) + 3%	50%
WACC (calculated as above) + 7%	100%

8. Example of calculation of the number of performance rights to vest

Assuming the following measures over the three year vesting period commencing on 1 July 2014 and ending on 30 June 2017:

- Relative TSR: 70%
- ROCE: WACC + 4%

then the following proportion of performance rights will vest:

(a) **Relative TSR**

Weighting: 67%
Actual score: 70th percentile
Calculation: 50% (for achieving the 50th percentile)
+ $((70\% - 50\%) \div (75\% - 50\%)) \times (100\% - 50\%)$
= 90%

(b) **Return on Capital Employed (ROCE)**

Weighting: 33%
Actual ROCE: WACC + 4%
Calculation: 50% (for achieving the 50th percentile)
+ $((4\% - 3\%) \div (7\% - 3\%)) \times (100\% - 50\%)$
= 62.5%

(c) **Combined score**

$(90\% \times 67\%) + (62.5\% \times 33\%) = 80.9\%$

Using the above example of an executive being issued with 2,000,000 performance rights, based on the above 80.9% combined score, 1,618,000 (= 80.9% x 2,000,000) performance rights will vest.



St Barbara Limited

ABN 36 009 165 066

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000



┌ 000001 000 SBM
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



**For your vote to be effective it must be received by 11:00am (Melbourne time)
on Sunday, 23 November 2014.**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Proxy Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Shareholders sponsored by a broker (reference number commences with 'X') should advise their broker of any changes.



I 9999999999 I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a shareholder/s of St Barbara Limited hereby appoint

the Chairman of the meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of St Barbara Limited to be held in the Royce Conference Room, Royce Hotel, 379 St Kilda Road, Melbourne on Tuesday, 25 November 2014 at 11:00am (Melbourne time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 4, 5 and 7 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 4, 5 and 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 4, 5 and 7 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Board recommendations and undirected proxies: To fully inform shareholders in exercising their right to vote, the Board recommends that shareholders vote, and the Chairman of the Meeting intends to vote undirected proxies (to the extent permitted by law), in the manner set out beside each resolution.

		For	Against	Abstain
For	Resolution 1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For	Resolution 2 Re-election of Director - Mr Colin Wise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For	Resolution 3 Election of Director - Mr Tim Netscher	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For	Resolution 4 Approval of issue of shares to Mr Robert (Bob) Vassie, Managing Director and Chief Executive Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For	Resolution 5 Approval of issue of performance rights to Mr Robert (Bob) Vassie, Managing Director and Chief Executive Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For	Resolution 6 Approval of additional 10% placement capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Against	Resolution 7 Spill Resolution (contingent item - refer to Notice of Meeting)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SIGN Signature of Shareholder(s) *This section must be completed.*

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____ Date ____/____/____