



ST BARBARA MINES LIMITED

2004 Annual Report to Shareholders



ST BARBARA MINES LIMITED
ABN 36 009 165 066
and its controlled entities
FINANCIAL REPORT
30 JUNE 2004

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Corporate Profile

St Barbara Mines Limited is listed on both the Australian Stock Exchange and the AIM (London Stock Exchange) (ticker symbol SBM) with over 11,000 shareholders.

The two largest shareholders are Resource Capital Fund II LP (Denver/Washington) with 21.86 percent and Ocean Resource Capital Holdings (London) with 10.13 percent of the issued capital.

The Company's principal asset is a dominant tenement position in the East Murchison gold field and a 100 percent owned 3 million tonne per annum treatment plant (currently on care and maintenance) at Meekatharra.

The Company is also the largest shareholder in NuStar Mining Corporation Limited, the 100% owner and operator of the Paulsens high grade shallow underground gold mine where the first gold pour is scheduled for May 2005.

The Company vision is to become a successful explorer and developer focused on gold, nickel and copper in Australia.

Annual General Meeting

The Annual General Meeting will be held at 3pm on 29 November 2004 at the Conference Suite, Level 8, Exchange Plaza, 2 The Esplanade Perth Western Australia.

All shareholders are invited to attend.



A rich heritage...

“Meekatharra is a rising mining centre which has come rapidly to the fore of late. It is situated about 25 miles north of Nannine to the east of the Abbott’s road in the ranges, and ten miles from Garden Gully. The prospector’s claim has a well-defined reef of blue sugary quartz showing fine gold, and another, a parallel reef to the eastward from 10ft to 12ft through. This claim was lately sold by Soich and Party, the prospectors, to Mr L. Darlot, who purchased with a view to flotation on the English market”.

Source: Geraldton Express newspaper 1897

... and much
unfinished business

Joint Report by Chairman and Managing Director

In view of the special circumstances in which we were appointed as Directors by shareholders on 20 July 2004, we consider it appropriate to jointly report to shareholders about corporate activities since then, with the activities for the 2003/04 year being covered elsewhere in this annual report.

Completion at the end of August 2004 of the review of the Company's assets and liabilities by the international accounting firm of Deloitte's facilitated the identification of all assets and their status, and outstanding corporate debts and liabilities. This enabled the Board to better assess the corporate, financial and technical issues confronting the Company.

As a consequence, the Board decided to substantially reduce its 54.8% controlling interest in NuStar Mining Corporation Limited ("NuStar") and utilise the funds generated to retire the Company's secured and other creditors, to recommence exploration at the Company's 100% owned Paddy's Flat property at Meekatharra, Western Australia and support the research of other opportunities.

The share swap of 5 NuStar shares for 4 St Barbara shares mentioned below has been proposed to facilitate the orderly separation of the two companies and a realignment of relevant shareholders to their preferred interest in either St Barbara or NuStar.

This divestment in NuStar is occurring as follows:

- the sale of an initial tranche of 100 million shares at 4 cents per share, has been completed;
- an agreement for the sale to NuStar of the 5% Paulsen's royalty for \$5.1 million has been signed. A cash deposit of \$1.3 million has been received with the balance due to be paid following approval by shareholders of St Barbara and NuStar respectively, at their Annual General Meetings to be held on 29 November 2004;
- the swap of up to 240 million of the Company's shares in NuStar for St Barbara shares in the agreed ratio of 1.25 NuStar shares for each Company share is also subject to approval by shareholders in both companies; and
- the grant of an option to Claymore Capital to purchase a further 100 million of the Company's shares in NuStar at 5 cents per share will remain current until 16 May 2005.

Assuming this option is exercised by Claymore, the remaining 102 million shares held by the Company in NuStar (an interest of approximately 10.3% of NuStar) will continue to be held as a strategic investment.

Prior to 30 June 2004, the Company had divested itself of previously 100% owned substantial land holdings at Meekatharra. This occurred by entry into a number of joint venture agreements with the incoming parties earning a fully participating joint venture interest by contributing exploration funds over some years in priority to the Company. These arrangements will require an expenditure of \$6.5m during the 12 month period ending 30 June 2005.

This level of expenditure will result in considerable drilling activity on a number of highly prospective targets. In all but one of these joint ventures, St Barbara continues as the manager of the joint venture.

The Bluebird treatment plant, 15 kilometres south of Meekatharra, has a 3 million tonnes per annum capacity but is currently idle and on care and maintenance. Its estimated replacement cost exceeds \$50 million and as a consequence, the early re-commencement of plant operations remains an important strategic objective for the Company to pursue and is one of the key reasons behind the Company's decision to immediately commence drilling of several targets at Paddy's Flat. A prime objective in this regard is to re-establish gold production and positive cashflow at the Bluebird processing plant.

Australia is and remains highly prospective for gold, copper and nickel. The increase in demand for all metals and subsequent increase in metal prices has improved the attractiveness of exploring for these metals.

A number of opportunities which may lead to the discovery of large mineral deposits are being pursued by St Barbara. Our principal focus will be in Western Australia and Queensland. Exploration will be balanced between grass roots conceptual targeting and brown fields exploration seeking to extend the known mineralisation. Our initial exploration budget including drilling, on 100% owned targets for the balance of the 2005 financial year, is expected to be in the range \$3.0 - \$3.5 million, and will be funded from working capital.

We believe that with metals markets continuing in a strong growth phase, there are currently some exciting opportunities in Australia.



Colin Wise
Non-Executive Chairman



Eduard Eshuys
Managing Director and CEO

Financial Review

The Company recorded a consolidated net loss of \$24.3 million.

Lower gold sales revenue and write-downs largely associated with the operations and the exploration portfolio were the dominant elements.

Financial Performance

Gold revenue from operations at \$22.0 million was lower as a consequence of lower throughput (campaign milling and cessation of operations in the second half of the year), and lower grade due to processing of low grade stockpiles. The average realised price of \$546 per ounce reflects the average spot price, as all production was sold into spot.

The net operating cost of production (equivalent to the Gold Institute total cash cost) at \$606 per ounce reflected the lower throughput, grade and recovery.

A loss before interest, tax, depreciation and amortisation of \$24.3 million was determined after close to breakeven operations, after state royalties (\$0.5 million), all exploration costs (\$5.7 million), a loss on plant/equipment sales (\$2.3 million-principally the Komatsu face shovel), mine development and exploration JV and tenement write-downs (\$5.6 million) and diminution in value of investment held by the subsidiary company (\$0.3 million).

Other revenue includes the sale of the Dioro investment at \$4.98 million and the Burnakura tenements for \$1.0 million.

Interest costs were lower reflecting the conversion of the RCF loan to equity mid-year.

The net loss attributable to outside equity interest in 2003 was limited to the net assets of NuStar Mining Corporation Limited. With the completion of the capital raising in December 2003, the net assets of the underlying entity have increased sufficiently so as not to restrict the loss attributable to the outside equity interest for the year ended 30 June 2004.

Cash Flow Statement

On a consolidated basis, cash at the period end increased to \$12.8 million, largely due to the re-financing of 54.8 percent subsidiary NuStar Mining Corporation Limited, which completed a \$21.0 million equity raising (before fees) and a \$1.0 million Convertible Note issue (before fees) during the year and had a cash balance of \$12.9 million at year end.

During the year the Company also completed a placement which raised \$0.96 million, realised \$9.6 million in plant and investment sales, and received \$0.5 million in released environment bonds.

Furthermore, loan and finance repayments included the RCF loan of \$5.0 million in cash while the balance of \$7.65 million, including fees, was satisfied by an issue of shares at 8 cents. Part of the Ocean Capital Convertible Note (\$2.8 million) was also converted into shares at 8 cents.

Financial Position

The Company's equity increased by \$6.9 million, largely reflecting the mine development and exploration write-downs off-set by the interest in NuStar Mining Corporation Limited.

Lower current assets reflected the sale of the Dioro investment, the Komatsu sale, consumption and obsolescent charge on consumable inventories offset by increased cash balances.

Consolidated working capital improved from negative \$7.4 million to negative \$1.3 million.

Interest bearing debt at balance date was \$9.9 million, a significant reduction (\$14.1 million) through the year. The major outstanding component was the Ocean Resource \$4.4 million Convertible Note at 12% interest (since converted to shares), \$0.9 million Convertible Note at 13.5% interest in the subsidiary with the balance being lease and hire purchase liabilities.

| Simplified Statement of Financial Performance (\$'000) | | |
|---|----------|----------|
| for the year ended 30 June | 2004 | 2003 |
| Gold revenue from operations | 21,972 | 56,111 |
| Other revenue | 10,460 | 1,493 |
| Earnings before interest, tax, depreciation and amortisation | (11,607) | (9,095) |
| Depreciation | (2,726) | (2,750) |
| Amortisation and write-down of mine development | (6,815) | (15,641) |
| Earning/(loss) before interest and tax | (21,148) | (27,486) |
| Interest (expense)/income | (4,080) | (5,499) |
| Income tax expense | - | - |
| Outside equity interests | 913 | 252 |
| Net profit/(loss) | (24,315) | (32,733) |

International Accounting Standards

A reconciliation of Australian Generally Accepted Accounting Principles to International Accounting Standards identified no material impact on net profit or net assets of the consolidated entity. Refer Note 34 to the Financial Statements for a reconciliation of Australian Generally Accepted Accounting Principles to International Accounting Standards.

Outlook

Financial Position

The financial position improved post the year end July by \$8.1 million with a \$3.7 million placement of shares (to RCF, Ocean Resource Capital Holdings and other investors) and the conversion of an outstanding \$4.4 million of interest-bearing Convertible Note to shares at a strike price of 8 cents per share by Ocean Resource Capital Holdings on 15 July 2004.

On 6 August 2004, Resource Capital Fund II L.P. Holdings Limited advanced the Company \$1.2 million for working capital to be converted into shares as part of a future equity placement. The timing and quantum of such a placement have not yet been determined. The advance is interest free and unsecured.

| Simplified Statement of Cashflows (\$'000) | | |
|---|----------------|-----------------|
| for the year ended 30 June | 2004 | 2003 |
| Operating Activities | | |
| Cash receipts | 24,684 | 63,043 |
| Payments – suppliers/employees | (31,712) | (63,256) |
| Other (net) | (1,614) | (341) |
| Net cash flow | (8,642) | (554) |
| Investing Activities | | |
| Payments – exploration/evaluation/ development | (5,043) | (13,050) |
| Payments – listed investments | (500) | (365) |
| Investment sold | 4,984 | - |
| Sale – property/plant/equipment (net) | 4,562 | 777 |
| Net cash flow | 4,003 | (12,638) |
| Financing Activities | | |
| Loan and finance repayments | (8,091) | (2,263) |
| Repayment of convertible loan | - | (7,372) |
| Restricted cash (bonds) | 465 | (1,736) |
| Proceeds from borrowings | 4,500 | 8,493 |
| Issue of securities | 20,017 | 7,635 |
| Net cash flow | 16,891 | 4,757 |
| Cash – beginning of period | 597 | 9,032 |
| Net change in cash | 12,252 | (8,435) |
| Cash – end of period | 12,849 | 597 |

| Simplified Statement of Financial Position (\$'000) | | |
|--|---------------|---------------|
| as at 30 June | 2004 | 2003 |
| Assets | | |
| Current | 16,014 | 19,164 |
| Non-current | 50,456 | 58,128 |
| Total | 66,470 | 77,292 |
| Liabilities | | |
| Current | 17,274 | 26,610 |
| Non-current | 4,344 | 12,709 |
| Total | 21,618 | 39,319 |
| Net assets | 44,852 | 37,973 |
| Share capital & reserves | 141,843 | 129,493 |
| Accumulated losses | (115,835) | (91,520) |
| Outside equity interests | 18,844 | - |
| Total Equity | 44,852 | 37,973 |

Meekatharra Operations

“Low grade stockpiles were depleted during the year and the treatment plant placed on care and maintenance pending a review of Paddys Flat underground resources and progress on establishing new open pit positions”.

Treatment Plant

Mill throughput totaled 1.71 million tonnes, a decrease on the previous year due to campaign milling (two weeks operating – one week standby) during the second half of the year and cessation of operations in mid-May 2004.

Mill feed comprised low grade material exclusively from Paddys Flat stockpiles No. 1, 2 and 3. Production of 37,985 ounces was close to the original 40,000 ounce estimate, allowing for the normal vagaries of reprocessing stockpiled material.

The original concept of developing the low grade Batavia open cut to supplement throughput was deferred.

On cessation of operations, trapped gold in the grinding circuit, pump hoppers and leach tank was recovered and the gold-in-carbon inventory reduced to minimum levels.

Milling operations are suspended pending finalisation of the Paddys Flat development strategy and establishment of additional open pit resources. A small maintenance (and security) crew is completing a thorough mechanical audit of the plant and refurbishing as appropriate. Capital expenditure during the year was minimal.

The original strategy of completing flow sheet circuit modifications to accommodate the processing of both soft open cut and harder Paddys Flat underground ore was deferred in favour of a reduced throughput strategy aligned with current known resources.

Rehabilitation of the depleted Paddys Flat low grade stockpile location was essentially complete with only minor seeding outstanding.

Paddys Flat

The development of Paddys Flat underground resources is likely to be integral to the recommencement of production at Meekatharra.

During the year, as part of the feasibility study, the Company completed a 30 hole (9,700 metre) drill programme at Prohibition and the adjoining Red Spider.

The down plunge drilling increased the resource inventory by 170 percent to 270,000 ounces of gold. The combined resource estimate, calculated by independent Cube Consulting Pty Ltd using ordinary kriging, is 2.35 million tonnes at 3.6 g/t (at a 1 g/t cut-off) and 0.77 million tonnes at 5.2 g/t for 128,000 ounces at a 4 g/t cut-off.

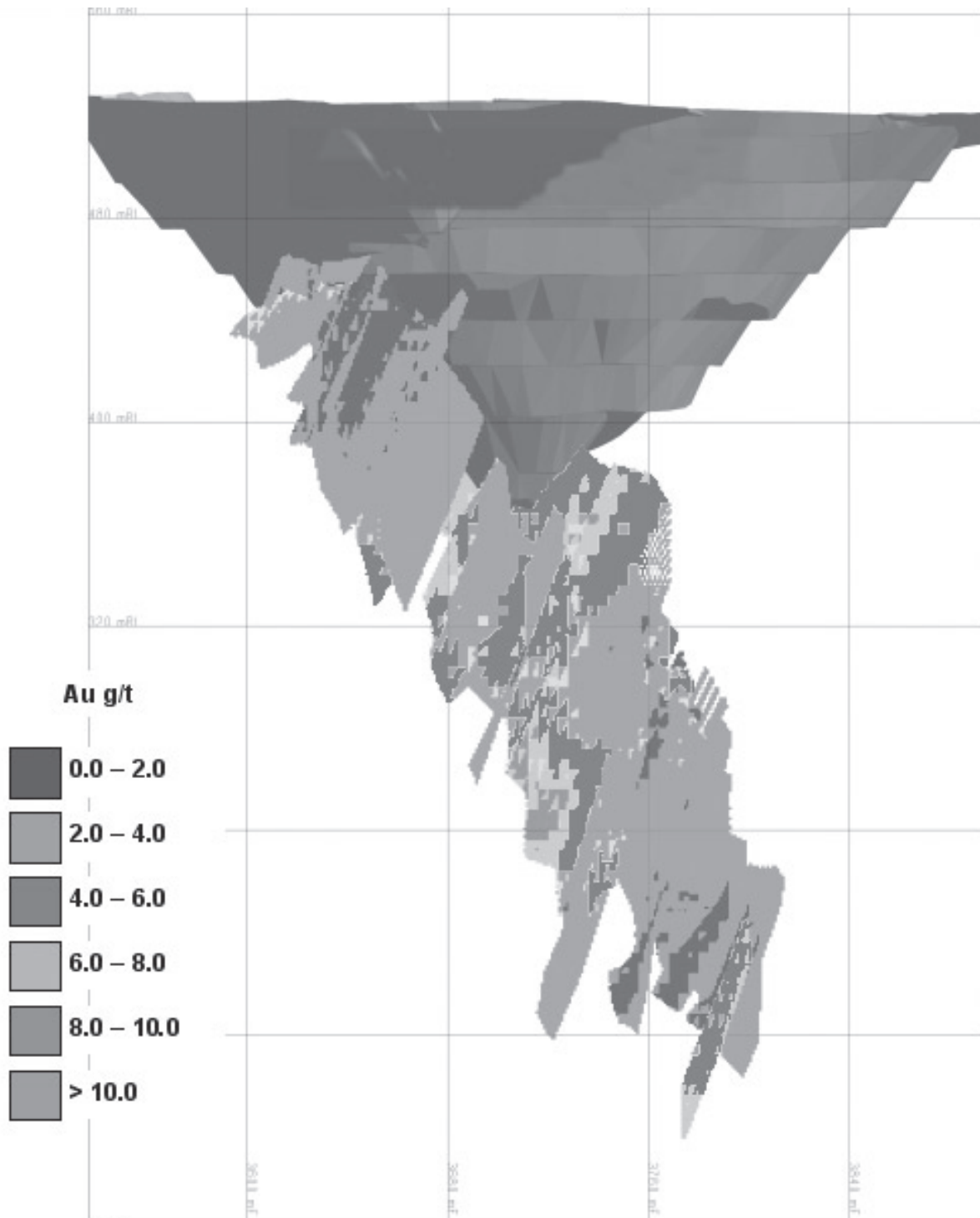
The estimate includes Red Spider, a new and well defined structure parallel to and shallower than Prohibition.

The geological setting suggests Prohibition and Red Spider will continue to depth.

A review of the increased, multi-zoned Prohibition resource and the updated Vivians resource identified significant opportunities to reduce underground development metres and resultant costs by repositioning the main Prohibition decline closer to the ore zones, and reducing the development necessary between Prohibition, Vivians and Consols resources.

A base case pre feasibility study has now been completed. Cube Consulting has reviewed the high grade Vivians and Consols ore positions and identified targets for investigation.

| Production and Sales Statistics | | |
|---------------------------------|-----------|-----------|
| Period 12 months to 30 June | 2004 | 2003 |
| Ore mined (tonnes) | nil | 483,041 |
| Ore milled (tonnes) | 1,711,300 | 2,284,599 |
| Grade milled (g/t) | 0.84 | 1.47 |
| Recovery (%) | 82.2 | 89.7 |
| Gold produced (ounces) | 37,985 | 96,611 |
| Gold sold (ounces) | 40,232 | 98,080 |



Paddys Flat Prohibition Pit - Blockmodel > 0 g/t Composite Cross Section Facing North

Meekatharra Landbank

“With availability of funds for exploration constrained, a strategy to maintain an interest in the land was achieved by joint venturing significant portions of the Meekatharra landbank.”

Strategy

St Barbara holds a large tenement position in the Murchison region with commensurate significant rates and rent commitments. With funds curtailed, a strategy to joint venture ground was implemented. The joint venture agreements require any ore moved to be processed through the Company's plant.

Joint Ventures

Two joint ventures, Reedys and Polelle, were signed with Elara Mining Limited, with an aggregate earn-in expenditure of \$6.25 million. These joint ventures will see continuation of exploration conducted by Gold Fields between February and June 2003 in the Reedys joint venture area and also in the Norie Pluton domain of the Polelle joint venture area, where the Company had outlined a preliminary inferred resource at Mulla Mulla last year.

Under the terms of the Reedys joint venture, Elara can earn a 51% interest over two years from November 2003 by the expenditure of \$3.25 million. An additional 14% interest may be earned by a further \$2 million expenditure. The terms of the Polelle joint venture allow Elara to earn a 51% interest over two years by the expenditure of \$3.0 million, and an additional 14% by a further \$2.0 million expenditure.

In both cases, St Barbara manages and implements the programmes from existing infrastructure, minimising mobilisation costs and maximising the benefit from the established geological database.

A further joint venture, Annean, was signed with Aurogenic Resources Pty Ltd, who can earn a 51% interest in approximately 460 km² of granted tenements within trucking distances of the treatment plant by the expenditure of \$4.0 million over three years, including a minimum commitment of \$1.0 million in the first year from March 2004. Aurogenic has the right to increase the equity position to 70% by the expenditure of an additional \$4.0 million over a further two years. The Annean joint venture is being managed by Aurogenic.

Ground under joint venture at the year end totalled 760 km², with near term expenditure of \$6.5 million and potential expenditure approaching \$20.0 million.

Regional Results

Exploration expenditure for the year by the Company and joint venture partners totalled approximately \$4.0 million. A total of 25,500 metres of RAB/aircore was drilled in 509 holes as well as 17,250 metres of RC/core drilling in 119 holes.

Infill RC drilling (19 holes for 3,000 metres) of the central part of the Mulla Mulla east mineralised zone gave considerable encouragement, with a best intersection of 8 metres at 16.4 g/t.

Exploration at Kanji and Miniritchie, 6 km south of Mulla Mulla, advanced through the year. At Kanji infill and extension drilling has extended the strike length to 900 metres and at the adjacent Miniritchie, the strike length has been extended to 600 metres.

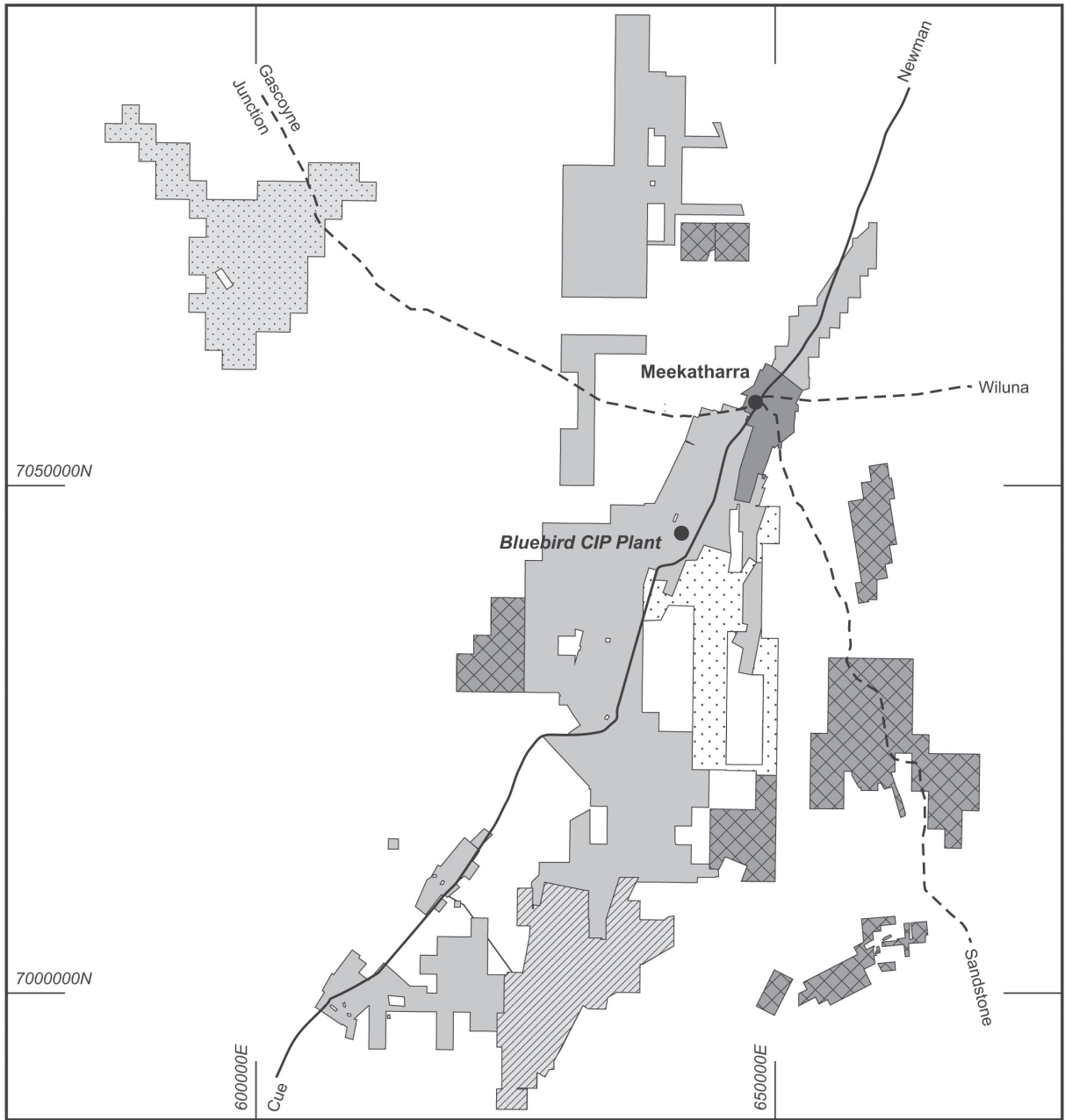
At the Annean joint venture ground mapping has occurred in the environs of Bluebird and Tuckanarra pits preparatory to formulation of a drill programme for the December 2004 quarter.







At the Lights of Asia prospect (Cue joint venture) the joint venture partner completed 57 RC holes, with the target zone extended to 400 metres strike and 150 metres down dip. The deposit is described as open to the north and down dip.

More recently a low level, high resolution aeromagnetic survey was flown to identify structural targets under shallow cover in the Cue joint venture ground.

Future Exploration

The Company will, as a consequence of the prospectivity of Paddy's Flat (having produced 2 million ounces of gold to date) and the joint venturing described above, focus its exploration at Paddy's Flat, which is 15km's north of the Company's Bluebird processing plant.



-  Paddys Flat (100% SBM)
-  100% SBM
-  Annean JV (Aurogenic)
-  Polelle JV (Elara)
-  Reedys JV (Elara)
-  Chesterfield JV (IG – Aurex)



25 km

30 September 2004

St Barbara Mines Limited
MEEKATHARRA TENEMENTS

NuStar Investment

“St Barbara facilitated the development of Paulsens Project through a balance sheet capital reconstruction of subsidiary company NuStar Mining Corporation. Paulsens, now fully debt and equity funded is on schedule for the first gold pour in May 2005.”

Background

At the commencement of the financial year St Barbara held an 88.3% interest in NuStar Mining Corporation Limited (formerly Taipan Resources NL).

Early in the year the design concept for the 100% owned Paulsens Project in the Ashburton region of Western Australia changed from a high strip ratio open pit to a high grade shallow underground mine.

In December 2003, NuStar raised equity to finance the development of the mine and to complete a resource extension drill programme.

As a result of the equity raise, and a shareholder approved debt for equity swap, the St Barbara interest in NuStar was diluted to 54.8%.

During the year, the resource was increased by 59%, a mine reserve of 412,100 ounces was declared, the site infrastructure was established and the underground mine decline commenced.

Post year end a debt funding package was secured from Westpac Banking Corporation to construct an on-site treatment plant and to purchase the St Barbara owned 5% gross revenue royalty over Paulsens production.

At the date of this report, St Barbara commenced a structured sell down of its holding in NuStar, the details of which are described elsewhere in this document.

Resource Estimate

A JORC compliant resource estimate, incorporating the result of the February/June 2004 Resource Extension program, was completed by independent Resource Evaluations Pty Ltd.

The estimate data base comprised 270 holes (96 NQ diamond core and 174 percussion holes – 48,400 metres) drilled at 25 metre by 25 metre spacings on sections in the better mineralised portion of the deposit.

The calculated estimate of 1.44 million tonnes at 11.7 g/t places 89% of the 541,300 contained ounces in the Indicated category. The estimate incorporates an assay top-cut to limit the influence of a significant number of high grade intercepts. The un-cut average grade is 13.1 g/t.

The orebody remains open at depth, with the resource potential below 300 metres only partially evaluated.

Mine Reserve

Detailed mine planning established a mining reserve of 1.20 million tonnes at 10.66 g/t – containing 412,100 ounces of gold.

The reserve is based on the Indicated Resource above 900MRL (300 metres below surface) and under Joint Ore Reserves Committee guidelines is classified as probable. Full allowance has been made for dilution and ore loss during mining.

Mine Design

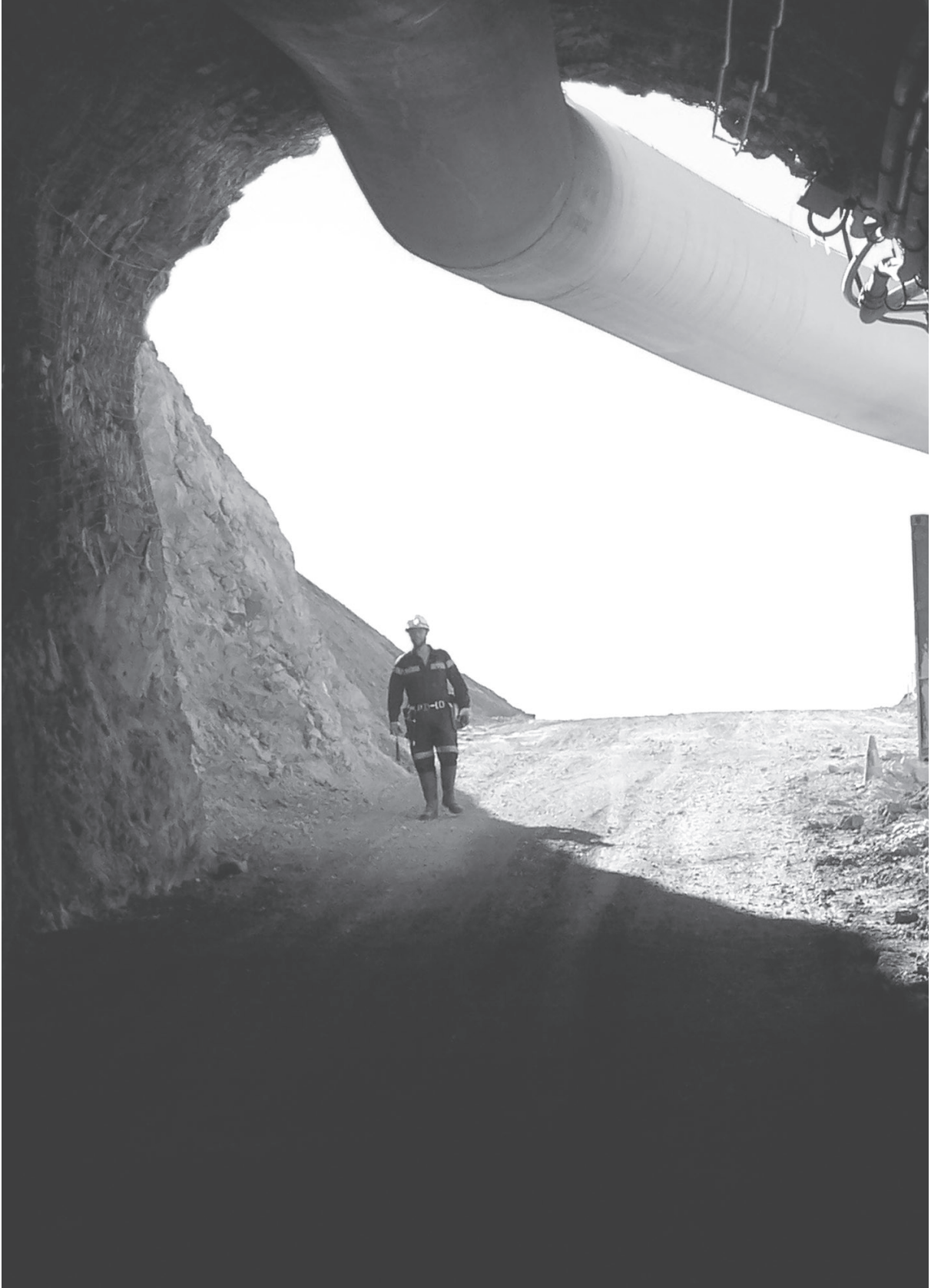
The underground mine has been designed to deliver 250,000 tonnes per annum of ore via a 5 metre by 5.5 metre decline with a 1:6 gradient.

The mine plan anticipates ore development on 7.5 metre to 10 metre vertical level intervals. Stopping will be predominantly up-hole benching and jumbo stripping. Some hand held mining is envisaged.

Treatment Plant

JR Roche completed a flow sheet design for a 250,000 tonne per annum plant based on extensive metallurgical testwork conducted in prior years. The process design comprised a three stage crushing, single ball mill in closed circuit, seven stage carbon-in-leach circuit and an AARL elution gold recovery circuit. The process design allowed for a fine grind to achieve gold liberation (80% passing 53 microns) and the presence of minor carbonaceous material in a small part of the orebody.

Construction on site is scheduled for November 2004.



Resources Statement as at 30 September 2004

(St Barbara Mines Limited and 100% owned subsidiaries only)

| Project Name | Measured | | | Indicated | | | Measured + Indicated | | | Inferred | | | Total | | |
|------------------------------------|---|--------------|----------------|------------------|--------------|----------------|----------------------|--------------|----------------|------------------|--------------|----------------|------------------|--------------|------------------|
| | Tonnes (‘000) | Grade g/t | oz | Tonnes (‘000) | Grade g/t | oz | Tonnes (‘000) | Grade g/t | oz | Tonnes (‘000) | Grade g/t | oz | Tonnes (‘000) | Grade g/t | oz |
| Paddys Flat | (100% SBM) | | | | | | | | | | | | | | |
| Prohibition | | | | 1,230 | 4.6 | 182,000 | 1,230 | 4.6 | 182,000 | 840 | 3.1 | 84,000 | 2,070 | 4.0 | 266,000 |
| Vivians Consols | | | | | | | | | | 543 | 6.8 | 118,800 | 543 | 6.8 | 118,800 |
| Mickey Doolan | | | | | | | | | | 3,305 | 1.4 | 153,000 | 3,305 | 1.4 | 153,000 |
| Macquarie | | | | 339 | 2.9 | 31,900 | 339 | 2.9 | 31,900 | 148 | 2.8 | 13,200 | 487 | 2.9 | 45,100 |
| Ingelston | | | | 723 | 1.7 | 39,500 | 723 | 1.7 | 39,500 | 250 | 1.8 | 14,500 | 973 | 1.7 | 54,000 |
| Five Mile Well | **** | | | | | | | | | 339 | 1.8 | 18,200 | 339 | 1.7 | 18,200 |
| Alberts East | | | | 335 | 2.9 | 31,200 | 335 | 2.9 | 31,200 | 357 | 3.8 | 43,600 | 692 | 3.4 | 74,800 |
| Mudlode | | | | 109 | 2.2 | 7,700 | 109 | 2.2 | 7,700 | | | | 109 | 2.2 | 7,700 |
| subtotal | | | | 2,736 | 3.3 | 292,300 | 2,736 | 3.3 | 292,300 | 5,782 | 2.4 | 445,300 | 8,518 | 2.7 | 737,600 |
| Meekatharra Reg. (100% SBM) | | | | | | | | | | | | | | | |
| Batavia | 147 | 3.10 | 14,700 | | | | 147 | 3.10 | 14,700 | | | | 147 | 3.10 | 14,700 |
| Jack Ryan | 839 | 2.73 | 73,600 | | | | 839 | 2.7 | 73,600 | | | | 839 | 2.7 | 73,600 |
| subtotal | 986 | 2.79 | 88,300 | | | | 986 | 2.8 | 88,300 | | | | 986 | 2.8 | 88,300 |
| Annean JV | (SBM reducing to 30%; Aurogenic earning 70%) | | | | | | | | | | | | | | |
| Bluebird East | 411 | 1.20 | 15,900 | 1,706 | 1.2 | 65,800 | 2,117 | 1.2 | 81,700 | 38 | 1.6 | 2,000 | 2,155 | 1.2 | 83,700 |
| Bluebird Deeps | | | | | | | | | | 135 | 7.3 | 31,700 | 135 | 7.3 | 31,700 |
| Bluebird Extension | 88 | 2.10 | 5,900 | 1,568 | 1.8 | 90,700 | 1,656 | 1.8 | 96,600 | 885 | 1.6 | 45,500 | 2,541 | 1.7 | 142,100 |
| South Gibraltar | | | | | | | | | | | | | | | |
| - Mystery | 150 | 1.30 | 6,000 | 315 | 1.4 | 14,600 | 465 | 1.4 | 20,600 | 21 | 1.8 | 1,200 | 486 | 1.4 | 21,800 |
| Ironbar | 166 | 1.50 | 8,000 | 124 | 1.7 | 6,800 | 290 | 1.6 | 14,800 | 140 | 1.5 | 6,800 | 430 | 1.6 | 21,600 |
| Luke's Junction | 3 | 1.80 | 200 | 198 | 1.8 | 11,500 | 201 | 1.8 | 11,700 | 61 | 1.8 | 3,500 | 262 | 1.8 | 15,200 |
| Nannine Reef | 106 | 2.00 | 6,800 | 59 | 2.1 | 4,000 | 165 | 2.0 | 10,800 | 102 | 2.2 | 7,200 | 267 | 2.1 | 18,000 |
| Kohinoor Deeps | | | | 33 | 9.3 | 9,900 | 33 | 9.3 | 9,900 | 7 | 10.2 | 2,300 | 40 | 9.5 | 12,200 |
| Annean JV | | | | | | | | | | | | | | | |
| subtotal | 924 | 1.44 | 42,800 | 4,003 | 1.6 | 203,300 | 4,927 | 1.6 | 246,100 | 1,389 | 2.2 | 100,200 | 6,316 | 1.7 | 346,300 |
| Polelle JV | (SBM reducing to 35%; Elara earning 65%) | | | | | | | | | | | | | | |
| Mulla Mulla | | | | | | | | | | 1,123 | 1.6 | 60,700 | 1,123 | 1.6 | 60,700 |
| Reedys JV | (SBM reducing to 35%; Elara earning 65%) | | | | | | | | | | | | | | |
| North Rand | 95 | 1.90 | 5,800 | 3 | 1.7 | 200 | 98 | 1.9 | 6,000 | 1 | 1.7 | 100 | 99 | 1.9 | 6,100 |
| Triton Deeps | | | | 78 | 8.5 | 21,300 | 78 | 8.5 | 21,300 | | | | 78 | 8.5 | 21,300 |
| Triton North | | | | | | | | | | | | | | | |
| Deeps | | | | 217 | 5.7 | 39,800 | 217 | 5.7 | 39,800 | | | | 217 | 5.7 | 39,800 |
| South Emu | | | | 315 | 5.3 | 53,700 | 315 | 5.3 | 53,700 | | | | 315 | 5.3 | 53,700 |
| Boomerang Deeps | | | | 93 | 6.7 | 20,000 | 93 | 6.7 | 20,000 | 174 | 5.1 | 28,500 | 267 | 5.6 | 48,500 |
| Rand Deeps | | | | | | | | | | 130 | 5.0 | 20,900 | 130 | 5.0 | 20,900 |
| subtotal | 95 | 1.90 | 5,800 | 706 | 5.9 | 135,000 | 801 | 5.5 | 140,800 | 305 | 5.0 | 49,500 | 1,106 | 5.4 | 190,300 |
| Category Totals | | | | | | | | | | | | | | | |
| SBM 100% | 986 | 2.79 | 88,300 | 2,736 | 3.3 | 292,300 | 3,722 | 3.2 | 380,600 | 5,782 | 2.4 | 445,300 | 9,504 | 2.7 | 825,900 |
| Annean JV | 924 | 1.44 | 42,800 | 4,003 | 1.6 | 203,300 | 4,927 | 1.6 | 246,100 | 1,389 | 2.2 | 100,200 | 6,316 | 1.7 | 346,300 |
| Elara JVs | 95 | 1.90 | 5,800 | 706 | 5.9 | 135,000 | 801 | 5.5 | 140,800 | 1,428 | 2.4 | 110,200 | 2,229 | 3.5 | 251,000 |
| Total | 2,005 | 2.12 | 136,900 | 7,445 | 2.6 | 630,600 | 9,450 | 2.5 | 767,500 | 8,599 | 2.4 | 655,700 | 18,049 | 2.5 | 1,423,200 |

Note **** Means only listed resource at Five Mile Well is 100% SBM; any additional resources discovered come under terms of Annean JV

Occupational Health, Safety, Welfare and the Environment

Promoting and maintaining high standards of safe work practice and a safe and healthy workplace are integral to our business.

Commitment

The Company is committed to the concept of sustainable development which requires economic growth to be balanced by good stewardship and the protection of human health and the environment in which we live and work.

Maintenance of a system of safe work practices, a pro-active approach to control and management of hazards, and the development and improvement of management performance standards are integral to this approach.

Injury Frequency

This year Meekatharra Gold Operations reported 5 Lost Time Injuries (LTI) for the year to 30th June 2004. The Lost Time Injury Frequency Rate (LTIFR) for the operation was 19.4 (rolling twelve month average), compared with the industry average of 5.

This represents a reduced performance compared to the previous year.

Incident investigations showed that 3 of the 5 Lost Time incidents related to work conducted in contract drilling and contract demobilization tasks. These investigations highlighted the requirement for changes to the systems of work in these areas, which have been implemented.

Occupational Health, Safety and Welfare

Programs over the year focussed on the continuous improvement in participation of all employees in occupational health and safety issues management and decision making. This was supported by training in the areas of Hazard Identification and Emergency Response Planning, together with Site OH&S Representative training, in particular targeting improved communications at all levels.

The workforce commitment to safety performance will continue to focus on improvement of safety systems and awareness which will target the reduction of the LTIFR to or below the industry average.

Environmental Management

The Company recognises that gold mining operations should be developed and managed on the basis of sustainable criteria.

Environmental Programs conducted during the year included:

- Continued focus on site waste management, in particular management and disposal of hydrocarbon products.
- In addition to statutory monitoring requirements, regular self-audits were conducted throughout the year to monitor progress and to identify areas which required further management focus.
- Progressive rehabilitation earthworks were completed on most recently mined areas, with further work conducted on historical mining areas.

Rehabilitation

Mine site rehabilitation objectives are directed towards ensuring that the physical structures that remain after mine closure do not impose a long term hazard to public safety or the environment and that the mined area achieves the nominated post mining land use.

During the past year continued significant progress was made toward fulfilling these rehabilitation objectives. Work was undertaken across a range of sites which included rehabilitation earthworks programs at the three Paddys Flat low grade stockpile sites, making safe historic mine workings, waste dump slope profiling, capping with topsoil/oxide material and workings in particular at the South Junction site.

Corporate Governance

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the Company are set and achieved, how risk is monitored and assessed, and how performance is optimised. Good corporate governance structures encourage companies to create value (through entrepreneurship, innovation, development and exploration) and provide accountability and control systems commensurate with the risks involved.

Good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet these circumstances.

The Company's Board and management are committed to a high standard of corporate governance practices, ensuring that the Company complies with the Corporations Act 2001, Australian Stock Exchange Listing Rules, Company Constitution and other applicable laws and regulations. However, at this stage of the Company's corporate development, implementation of the ASX Corporate Governance Council ten core principles, whilst supported, is not practical in every detail given the modest size and simplicity of the business.

The core principles are noted as follows:

The core principles are establishment of the role of the Board, its composition (with a balance of skills, experience and independence appropriate to the nature and extent of operations), and the need for integrity (among those who influence strategy and financial performance, together with responsible and ethical decision-making). Presenting the Company's financial and non-financial position requires processes that safeguard, both internally and externally, the integrity of company reporting and its provision in a timely and balanced manner. The rights of Company shareholders must be recognised and upheld. Risk must be managed through effective oversight and internal control. Board and management effectiveness must be encouraged. Remuneration must attract and maintain talented and motivated directors and employees with a clear relationship to corporate and individual performance.

And finally, the legitimate interests of all stakeholders must be recognised.

The details of the current and evolving corporate governance practices are described.

Board of Directors

Role of the Board

The Board has the responsibility of protecting the rights and interests of shareholders and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for:

- the corporate governance of the Company;

- the overall strategic direction and leadership of the Company;
- approving and monitoring management implementation of objectives and strategies; and
- reviewing the performance against stated objectives by receiving regular management reports on the business situation, opportunities and risks.

Structure of the Board

At the date of this report the Company has a four member Board three of whom are independent non-executive directors, including the Chairman.

Board members should possess complementary business disciplines and experience aligned with the Company objectives. The experience of directors is noted in the Directors' Report.

The Board recently determined to temporarily suspend the functions of its Audit Committee and Remuneration Committee in favour of the full Board performing these functions.

The Company will give consideration at an appropriate juncture in the Company's development, for the creation of a Nomination Committee.

None of the directors has a trading relationship with the Company or a conflict of interest in any business or relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company, noting that Mr Tuten is the representative of major shareholder RCF Management L.L.C.

Audit Processes and Policies

The Board is responsible for the establishment and maintenance of a framework of internal control and policies and procedures designed to safeguard company assets and to maintain the integrity of financial reporting.

These responsibilities include:-

- reviewing and approving the annual financial reports, the half yearly financial report and all other financial information distributed externally;

- monitoring the effective operation of the risk management and compliance framework;
- reviewing the effectiveness of the Company's internal control environment including compliance with applicable laws and regulations;
- the nomination of the external auditor and the review of the adequacy of the existing external audit arrangements;
- considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence; and
- reviewing and monitoring of related party transactions.

The external auditor, PricewaterhouseCoopers has engagement terms refreshed annually and has confirmed its independence to the Board. The current engagement partner has conducted the audit since 2001 with rotation due no later than 2006.

Safeguard Integrity in Financial Reporting

The Audit committee is responsible for stating to the Board that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results, are in accordance with the relevant Australian Accounting Standards. At present this function is the responsibility of the entire Board.

Respect the Rights of Shareholders and Stakeholders

The Board has adopted communications strategies and practices to promote communication with shareholders, in language capable of interpretation, and to encourage effective participation at general meetings. The external auditor will attend the Annual General Meeting to respond to specific questions from shareholders.

Risk Management

All risks have been assessed and managed by the full board and senior executives. The policies for risk oversight and management are being developed and will be published on the company website once approved.

Timely and Balanced Disclosures

The Board supports the Australasian Investor Relations Association "Best Practice Guidelines for Communication between Listed Entities and the Investment Community" and endorses a culture in favour of continuous disclosure, recognising the benefits of consistency to be achieved through a dedicated communications officer and authorised spokesperson.

The Board notes that timely disclosure of price sensitive information is central to the efficient operation of the Australian Stock Exchange's securities market and has adopted a policy covering announcements to the Australian Stock Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications.

The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Stock Exchange and liaises with the Managing

Director and CEO in relation to continuous disclosure matters and overseeing and coordinating disclosure of information to analysts, brokers and shareholders. The Managing Director and CEO is responsible for overseeing and coordinating disclosure of information to the media.

The Company's continuous disclosure policy is consistent with ASX Principle 5.

Directors, Officers and Employees dealing in company shares

Company policy imposes restrictions on personnel trading in the securities of the Company in order to prevent trading in contravention of the insider trading provisions of the Corporations Act, with the following key aspects:

- all Directors and employees are to formally notify the Company Secretary of their beneficial shareholdings in the Company and any changes to this within 3 days of each change occurring. The Company Secretary will maintain a register of interests held by Directors and employees;
- no Director or any entity controlled by that Director is allowed to trade in the securities of the Company without advance notification to the Chairman;
- no Director or employee or any entity controlled by him or her is allowed to engage in the business of active dealing in the Company's shares;
- a Director, employee or any entity controlled by him or her must not trade at any time when he or she possesses information which is not generally available and if disclosed publicly, would be likely to materially affect the market price of the Company's shares; and
- a Director or officer may trade in the Company's shares within a period of 30 days following the release of the Company's quarterly, half-yearly or annual results, or the holding of the Company's annual general meeting.

Remunerate Fairly and Responsibly

Directors and key executives are remunerated in accordance with market conditions and performance. The current Managing Director and CEO's remuneration and termination entitlements are referred to in Note 23 and 33 to the Financial Statements.

Ethical Standards

All directors, executives and employees are expected to act with the utmost integrity and objectivity, being fair and honest in dealings, treating all people with dignity and respect and acting with the best interests of the Company at all times. Any reports of misconduct are investigated by the Board.

Access to Professional Advice

Issues of substance are considered by the Board with external advice from its professional advisers as required. The Board's individual members can seek independent professional advice at the Company's expense in carrying out their duties. Prior written approval of the Chairman is required, but may not be unreasonably withheld.

Five Year Summary

| | | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---------|----------|----------|----------|---------|---------|
| Financial Results | | | | | | |
| Gold revenue | \$'000 | 21,972 | 56,111 | 54,516 | 71,217 | 38,534 |
| Other income | \$'000 | 10,460 | 1,493 | 31,977 | 17,264 | 28,477 |
| Amortisation and depreciation | \$'000 | 2,726 | 18,391 | 30,220 | 20,883 | 5,217 |
| Consolidated profit / (loss) before tax | \$'000 | (25,228) | (30,020) | (17,894) | 7,650 | 2,377 |
| Income tax (expense) / benefit | \$'000 | - | (2,965) | - | 1,704 | 1,260 |
| Consolidated profit / (loss) after tax | \$'000 | (25,228) | (32,985) | (17,894) | 9,354 | 3,637 |
| Balance Sheet | | | | | | |
| Current assets | \$'000 | 16,014 | 19,164 | 24,384 | 36,211 | 17,795 |
| Non-current assets | \$'000 | 50,456 | 58,128 | 77,654 | 56,831 | 47,511 |
| Current liabilities | \$'000 | 17,274 | 26,610 | 29,868 | 26,467 | 16,263 |
| Non-current liabilities | \$'000 | 4,344 | 12,709 | 12,062 | 8,870 | 2,696 |
| Total shareholders' equity | \$'000 | 44,852 | 37,973 | 60,108 | 57,705 | 46,347 |
| Shares on issue | '000 | 574,149 | 415,553 | 319,758 | 216,507 | 209,770 |
| Mine Statistics | | | | | | |
| Ore mined | '000 t | - | 483 | 1,386 | 1,700 | 209 |
| Ore milled | '000 t | 1,711 | 2,285 | 1,888 | 2,789 | 3,221 |
| Head grade | g/t | 0.84 | 1.47 | 1.84 | 1.80 | 0.93 |
| Recovery | % | 82.2 | 89.7 | 92.2 | 91.0 | 90.2 |
| Gold produced | oz | 37,985 | 96,611 | 103,217 | 147,063 | 86,798 |
| Total production cost | \$/oz | 606 | 575 | 553 | 371 | 321 |
| Gold in reserves | '000 oz | - | - | 208 | 372 | 372 |
| Gold in resources | '000 oz | 1,423 | 1,917 | 1,610 | 1,466 | 2,002 |
| Sales and Hedging | | | | | | |
| Sales | oz | 40,232 | 98,080 | 105,844 | 147,063 | 86,798 |
| Realised gold price | \$/oz | 546 | 572 | 515 | 497 | 443 |
| Average spot gold price | \$/oz | 546 | 572 | 554 | 504 | 451 |
| Hedge position | oz | - | - | 4,221 | 100,000 | 123,200 |
| Hedge weighted price | \$/oz | - | - | 518 | 513 | 495 |
| Hedge book value | \$'000 | - | - | (176) | (2,450) | (590) |
| Expenditure | | | | | | |
| Exploration | \$'000 | 6,774 | 3,496 | 3,381 | 4,350 | 1,900 |
| Meekatharra operating capital | \$'000 | - | 135 | 5,914 | 2,000 | 800 |
| Paulsens project | \$'000 | 2,095 | 4,599 | 7,177 | - | - |

Financial Report

30 JUNE 2004

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This financial report covers both St Barbara Mines Limited as an individual entity and the consolidated entity consisting of St Barbara Mines Limited and its controlled entity.

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

St Barbara Mines Limited
Level 2, 16 Ord Street
West Perth WA 6005

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the directors report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available on our website: www.stbarbara.com.au.

Directors' Report

Your Directors present their report on the consolidated entity consisting of St Barbara Mines Limited ("Company", "St Barbara" or "parent entity") and the entities it controlled ("consolidated entity") at the end of, or during, the financial year ended 30 June 2004 and the Audit Report thereon.

DIRECTORS

The names of Directors who held office during the financial year or up to the date of this report (unless otherwise stated) are:

S J Colin Wise (aged 58)

Non-Executive Chairman

LL.B, FAICD, FAusIMM

Appointed Director on 20 July 2004

Member of the Audit Committee

Member of the Remuneration Committee

Mr Wise is an experienced corporate lawyer and consultant with significant expertise in the mining and exploration industry and corporate sector. He spent 24 years with WMC Limited, 10 of which as General Counsel and subsequently, 4 years as Counsel to the New York law firm of Howard, Smith and Levin LLP. He has had extensive practical experience in Australia and internationally with a wide range of corporate, operational and legal matters. He is a Fellow of both the Australian Institute of Company Directors and of the Australasian Institute of Mining and Metallurgy. He is a non-executive director of Southern Health, the largest health service in Melbourne.

Eduard Eshuys (aged 59)

Managing Director and Chief Executive Officer

B.Sc, FAICD, FAusIMM

Appointed Director on 20 July 2004

Member of the Remuneration Committee

Mr Eshuys is a geologist with 36 years of experience in mineral exploration, development and operation of gold and nickel mines in Australia. He has a credible record in exploration having led the exploration teams that discovered several major gold deposits, including Plutonic, Bronzewing and Jundee. He brought Bronzewing and Jundee as well as the Cawse Nickel mine into production. Mr Eshuys was awarded the Geological Society of Australia's Joe Harms medal for distinction in exploration success and project development in 1996. He is a Fellow of both the Australian Institute of Company Directors and the Australian Institute of Mining and Metallurgy.

Henderson (Hank) G Tuten (aged 56)

Non-Executive Director

B.A. (Econ)

Appointed Director on 26 March 2002

Chairman of the Audit Committee

Mr Tuten is actively involved in a consolidated entity of private equity funds as a founding partner. These are the Resource Capital Funds, the e-Century Capital Fund and the CIP Fund. He spent over fifteen years with the N.M. Rothschild and Sons consolidated entity. During that period, he was the chief executive officer of Rothschild Australia Limited, Rothschild North America Inc. and Continuation Investments N.V., the private equity vehicle for Rothschild Continuation Holdings A.G. consolidated entity. Prior to that, he was a commercial banker with the Philadelphia National Bank. Mr Tuten serves on several boards in connection with his investment activities. He graduated from the University of Virginia with a B.A. in Economics.

Mark K Wheatley (aged 43)

Non-Executive Director

B.E.(Chem) Hons 1), MBA

Appointed Director on 28 November 2003

Chairman of the Remuneration Committee

Mr Wheatley has 25 years resource industry experience within Australia and overseas. In his 17 years with BHP until 1996, he was involved in engineering, research, business development and commercial roles within the steel, minerals and corporate business groups. He then joined BT and became a Senior Vice President within the Global Metals and Mining Group where he was involved in project finance and corporate advisory activities over the next 3 years. He moved to the gold industry in 1999 where, as General Manager Corporate Development with Goldfields/Aurion Gold Limited and a period as Acting Managing Director of Goldfields, he completed a number of mergers and acquisitions that underpinned the company's ten fold increase in market capitalisation before it was taken over by Placer Dome Inc. in 2002. Mr Wheatley is currently Executive Chairman of Southern Cross Resources Inc., a company which is listed on the Toronto Stock Exchange.

Stephen W Miller

Appointed Director on 12 March 1999

Removed on 20 July 2004

Kevin A Dundo

Appointed Director on 26 March 2002

Resigned on 18 July 2004

G Brian Speechly

Appointed Director on 9 July 1997

Resigned on 28 November 2003

James T McClements

Appointed alternate director for H G Tuten

Resigned on 10 July 2003

PRINCIPAL ACTIVITIES

The principal activities of St Barbara Mines Limited and entities controlled by it (collectively known as the consolidated entity) during the financial year ended 30 June 2004, were gold production, gold and mineral exploration, pastoral activities, and investment.

RESULTS OF OPERATIONS

The consolidated operating loss after tax for the year ended 30 June 2004 attributable to members of the Company was \$24,315,000 (2003: \$32,733,000 loss).

Commentary on the operations and the results of those operations are set out below:

| Production and Sales Statistics | | 12 months to 30 June 2004 | 12 months to 30 June 2003 |
|---------------------------------|----------|---------------------------|---------------------------|
| - Ore mined | tonnes | - | 483,041 |
| - Ore milled | tonnes | 1,711,300 | 2,284,599 |
| - Head grade | g/t | 0.84 | 1.47 |
| - Recovery | % | 82.2 | 89.7 |
| - Gold produced | ounces | 37,985 | 96,611 |
| - Gold sold | ounces | 40,232 | 98,080 |
| - Cash cost | \$/ounce | 559 | 465 |

Mining activity at Meekatharra was solely focussed on treatment of the Paddys Flat low grade stockpiles. These resources were depleted by mid-May. Mining and haulage operations ceased in April and by the end of June the process plant operations were suspended and prepared for a 6 - 12 month program of general maintenance and re-configuration.

A pre-feasibility evaluation of the Paddys Flat Underground Project was completed, with all necessary approvals received, allowing this project to proceed once further reserves have been established. A review of all previous exploration activities and evaluations are required prior to any substantial capital expenditure.

DIVIDENDS

The Directors do not recommend the payment of a dividend.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- On 7 July 2003, the Company issued 15,910,922 fully paid ordinary shares to Resource Capital Funds II L.P. (RCF) at price of \$0.0374 per share in satisfaction of interest of \$595,068.
- On 7 July 2003, the Company issued the following options, with an expiry date of 7 January 2007, to RCF in satisfaction of the corporate debt facility fee:
 - 5,834,004 options exercisable at \$0.2125;
 - 594,308 options exercisable at \$0.2086;
 - 2,918,376 options exercisable at \$0.2124; and
 - 17,430,243 options exercisable at \$0.1138.
- On 22 September 2003, the Company issued 12,000,000 fully paid ordinary shares at \$0.08 per share to raise \$960,000 (before issue expenses) for working capital.
- On 31 October 2003, the Company announced that its subsidiary, Taipan Resources NL (now NuStar Mining Corporation Limited or "NuStar") had received commitments to finance the Paulsens Project. This was facilitated by the Company accepting equity of 352 million NuStar shares at \$0.05 cents per share in full satisfaction of the \$17.6 million intercompany loan between the Company and NuStar, together with the placement of an additional 420 million NuStar shares at \$0.05 per share to raise \$21 million of equity capital. The Company's equity position in NuStar after these transactions was 54.8% (previously 88.3%).
- On 28 November 2003, the Company issued 95,684,932 fully paid ordinary shares to RCF funds at a price of \$0.08 per share in satisfaction of a corporate debt of \$7 million and interest of \$654,795.
- On 28 November 2003, the Company issued the following options with an expiry date of 24 May 2008 to RCF in satisfaction of the corporate debt facility fee:
 - 257,857 options exercisable at \$0.2125;
 - 485,953 options exercisable at \$0.2086;
 - 2,386,296 options exercisable at \$0.2124; and
 - 14,252,357 options exercisable at \$0.1138.
- On 5 December 2003, the Company issued 35,000,000 fully paid ordinary shares to Ocean Resources Capital Holdings Limited at a price of \$0.08 per share to satisfy unsecured convertible notes totalling \$2.8 million.
- On 17 March 2004, the Company announced the sale of a Demag Komatsu large face shovel. This resulted in net proceeds of \$2.1 million, which was to be used for working capital.

Directors' Report

LIKELY DEVELOPMENTS

Likely developments in the operations of the consolidated entity include NuStar Mining Corporation Limited developing the Paulsens Project and the Company evaluating and conducting limited exploration at Meekatharra. Otherwise likely developments are described in the following section, Events Subsequent to 30 June 2004 in this report.

EVENTS SUBSEQUENT TO 30 JUNE 2004

Since 30 June 2004 the following has occurred:

- On 15 July 2004, the Company announced the conversion by Ocean Resources Capital Holdings plc of the face value of its convertible note of \$4.4 million into 55,000,000 ordinary shares at \$0.08.
- On 19 July 2004, the Company announced the resignation of Kevin Dundo as a Director with effect from 18 July 2004.
- On 20 July 2004, a General Meeting of the shareholders of the Company was held and the following resolutions were carried:
 - Mr Eduard Eshuys was elected as a Director;
 - Mr Colin Wise was elected as a Director; and
 - Mr Stephen Miller was removed as a Director.
- On 20 July 2004, the Company issued 42,050,000 fully paid ordinary shares at \$0.04 per share to raise \$1,682,000 for working capital.
- On 20 July 2004, the Company issued 17,480,547 fully paid ordinary shares to Ocean Resources Capital Holdings Limited at \$0.046 per share in satisfaction of interest of \$804,105.
- On 23 July 2004, the Company issued 26,591,453 fully paid ordinary shares to Resource Capital Fund II L.P. at \$0.046 per share to raise \$1,223,207 for working capital.
- On 23 July 2004, the Company announced that Mr Eduard Eshuys was appointed as Managing Director and Mr Colin Wise was appointed as Non-Executive Chairman. The new Board appointed Deloitte to conduct a review of the Company, including the terms of employment of the former Executive Chairman.
- On 12 August 2004, the Company announced that following the completion of the initial review by Deloitte, agreement was reached with the former Executive Chairman, Mr Stephen Miller, for his employment to end with effect from 4 August 2004. This resulted in a termination payment of \$257,543 inclusive of all statutory entitlements (less applicable taxes). Mr Miller then resigned from the Boards of all wholly owned subsidiaries of the Company and from the Boards of NuStar and its subsidiary.
- On 24 August 2004, NuStar announced that a detailed mining plan had established a Mining Reserve of 1,202,000 tonnes at 10.66g/t - containing 412,100 ounces of gold.
- On 20 September 2004, NuStar announced that an agreement was reached in principle to acquire a royalty over the Paulsens Gold Project and an interest in the Wyloo Joint Venture – both held by the Company.
- On 20 September 2004, the new Board announced that it had completed a review of the financial position and operations of the Company and had decided to divest a substantial part of the Company's shareholding in NuStar with the following four separate but interrelated transactions:
 - (a) an initial sale of 100 million NuStar shares to third parties at not less than \$0.04 per share within seven business days;
 - (b) the sale of the Paulsens 5% royalty owned by the Company to NuStar for not less than \$5.1 million and the sale of the Company's interest in the Pelican Joint Venture (adjacent to Paulsens) to NuStar;
 - (c) the grant of an option to Claymore Capital Pty Limited (as arranger of these transactions) to purchase 100 million NuStar shares at \$0.05 per share at any time up to three months after the initial sale; and
 - (d) a Share Swap of NuStar shares for Company shares on the basis of 1.25 NuStar shares for each Company share. The Company intends to offer a maximum of 240 million NuStar shares and to cancel the Company shares received through the Share Swap by way of a capital reduction. Should more shareholders wish to accept the Share Swap than the number of NuStar shares available, then shareholder acceptances will be scaled back on a pro rata basis.The transactions described in (b) and (d) are subject to shareholder approval and the completion of an independent expert's report. Shareholders will be asked to approve these transactions at the company's AGM to be held in late November 2004 subject to all necessary statutory procedures being completed within this time.

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

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

In addition to the above transactions, the Company has:

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

Other than the matters above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

MEETINGS OF DIRECTORS

The meetings of the Company's Board of Directors and each Board committee held during the year ended 30 June 2004, and the numbers of meetings attended by each Director were:

| | Board | | Audit | | Remuneration | |
|--|-------|---|-------|---|--------------|---|
| | A | B | A | B | A | B |
| K A Dundo (resigned 18 July 2004) | 9 | 9 | 3 | 3 | 0 | 0 |
| S W Miller (removed 20 July 2004) | 9 | 9 | * | * | * | * |
| G B Speechly (resigned 28 November 2003) | 0 | 5 | * | * | 0 | 0 |
| H G Tuten | 6 | 9 | 2 | 3 | * | * |
| M K Wheatley (appointed 28 November 2003) | 4 | 4 | * | * | 0 | 0 |
| J T McClements (alternate for H G Tuten resigned 10 July 2003) | 0 | 0 | * | * | * | * |

A = Number of meetings attended

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

* = Not a member of the relevant committee

In addition there were 16 written resolutions approved by the Board during the year.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Particulars of Directors' interests and of persons connected with them (within the meaning of section 34b of the Corporations Act 2001) in shares of the Company as at the date of this report are as follows:

| Directors | No. of Shares |
|--------------------------|---------------|
| S J C Wise | Nil |
| E Eshuys | Nil |
| H G Tuten ⁽¹⁾ | Nil |
| M K Wheatley | Nil |
| Connected Persons: | |
| RCF ⁽¹⁾ | 156,333,470 |

⁽¹⁾ Mr Tuten is the Chairman of RCF Management L.L.C., the management company of RCF

Directors' Report

Particulars of Directors' interests and of persons connected with them (within the meaning of section 34b of the Corporations Act 2001) in options of the Company as at the date of this report are as follows:

| Directors | Date of Grant | Shares under option | Exercise Price | Expiry Date |
|-----------------------------|------------------|---------------------|----------------|------------------|
| SJC Wise | Nil | Nil | Nil | Nil |
| E Eshuys | Nil | Nil | Nil | Nil |
| H G Tuten ⁽¹⁾ | Nil | Nil | Nil | Nil |
| M K Wheatley ⁽²⁾ | 20 February 2003 | 1,000,000 | \$0.11 | 31 December 2005 |
| Connected Persons | | | | |
| RCF ⁽¹⁾ | 12 February 2002 | 157,938 | \$0.2125 | 7 February 2005 |
| | 5 March 2002 | 373,893 | \$0.2125 | 5 March 2005 |
| | 2 April 2002 | 449,638 | \$0.2125 | 2 April 2005 |
| | 17 May 2002 | 470,589 | \$0.2125 | 20 May 2005 |
| | 17 May 2002 | 36,118 | \$0.2086 | 20 May 2005 |
| | 4 June 2002 | 499,597 | \$0.2125 | 3 June 2005 |
| | 4 June 2002 | 50,894 | \$0.2086 | 3 June 2005 |
| | 4 June 2002 | 88,680 | \$0.2124 | 3 June 2005 |
| | 15 July 2002 | 483,482 | \$0.2125 | 15 July 2005 |
| | 15 July 2002 | 49,252 | \$0.2086 | 15 July 2005 |
| | 15 July 2002 | 241,854 | \$0.2124 | 15 July 2005 |
| | 13 August 2002 | 499,597 | \$0.2125 | 13 August 2005 |
| | 13 August 2002 | 50,894 | \$0.2086 | 13 August 2005 |
| | 13 August 2002 | 249,917 | \$0.2124 | 13 August 2005 |
| | 6 September 2002 | 499,597 | \$0.2125 | 6 September 2005 |
| | 6 September 2002 | 50,894 | \$0.2086 | 6 September 2005 |
| | 6 September 2002 | 249,917 | \$0.2124 | 6 September 2005 |
| | 15 October 2002 | 483,482 | \$0.2125 | 15 October 2005 |
| | 15 October 2002 | 49,252 | \$0.2086 | 15 October 2005 |
| | 15 October 2002 | 241,854 | \$0.2124 | 15 October 2005 |
| | 20 February 2003 | 1,000,000 | \$0.1100 | 31 December 2005 |
| | 7 January 2003 | 1,482,677 | \$0.2125 | 7 July 2006 |
| | 7 January 2003 | 151,040 | \$0.2086 | 7 July 2006 |
| | 7 January 2003 | 741,686 | \$0.2124 | 7 July 2006 |
| | 7 January 2003 | 3,177,890 | \$0.1138 | 7 July 2006 |
| | 7 July 2003 | 5,834,004 | \$0.2125 | 7 January 2007 |
| | 7 July 2003 | 594,308 | \$0.2086 | 7 January 2007 |
| | 7 July 2003 | 2,918,376 | \$0.2124 | 7 January 2007 |
| | 7 July 2003 | 17,430,243 | \$0.1138 | 7 January 2007 |
| | 28 November 2003 | 14,252,357 | \$0.1138 | 24 May 2008 |
| | 28 November 2003 | 485,953 | \$0.2086 | 24 May 2008 |
| | 28 November 2003 | 2,386,296 | \$0.2124 | 24 May 2008 |
| | 28 November 2003 | 257,857 | \$0.2125 | 24 May 2008 |
| | | 55,990,026 | | |

⁽¹⁾ Mr Tuten is the Chairman of RCF Management L.L.C., the management company of RCF

⁽²⁾ RCF has agreed with Mr Wheatley to transfer up to 1,000,000 options exercisable at \$0.11 which expire on 31 December 2005. 500,000 were vested when he was appointed as a director, 250,000 after 6 months service on the Board and 250,000 after 12 months on the Board.

DIRECTORS' AND EXECUTIVES' EMOLUMENTS

Remuneration is based on industry standards and set to attract qualified and experienced directors and senior executives. Recommendations are made to the Board on salary levels, packaging options, employee benefits and conditions. Remuneration of directors and executives is not linked to the performance of the Company.

The Remuneration Committee meets annually to review directors' fees, senior executive salary packages and salary ranges for the organisation.

Details of the nature and amount of each element of the emoluments of each director of St Barbara Mines Limited and each of the five specified executive officers of the Company and the consolidated entity during the year ended 30 June 2004 are set out on the following tables:

Non-Executive Directors of St Barbara Mines Limited

| | Cash, salary & fees | Primary Cash Bonus | Non monetary benefits | Post - employment Super- annuation | Retirement benefits | Equity Options issued | Total |
|-------------------------------------|---------------------------|--------------------------|-----------------------------|--|------------------------|-----------------------------|---------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| K A Dundo (i) | 100,000 | - | - | 9,000 | - | - | 109,000 |
| H G Tuten (ii) | | - | - | - | - | - | - |
| M K Wheatley | 27,135 | - | - | 2,446 | - | - | 29,581 |
| G B Speechly (resigned 28/11/03) | 20,833 | - | - | 1,875 | - | - | 22,708 |

(i) Mr Dundo's remuneration includes \$50,000 fees and \$4,500 superannuation recovered from NuStar Mining Corporation Limited.

(ii) Mr Tuten has declined to receive directors fees

Executive Directors of St Barbara Mines Limited

| | Cash, salary & fees | Primary Cash Bonus | Non monetary benefits | Post - employment Super- annuation | Retirement benefits | Equity Options issued | Total |
|----------------------------------|---------------------------|--------------------------|-----------------------------|--|------------------------|-----------------------------|---------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| S W Miller Executive Chairman | 400,000 | - | 11,324 | 80,000 | - | - | 491,324 |

Directors' Report

Other executives of St Barbara Mines Limited and group

| Company | Cash, salary & fees | Primary Cash Bonus | Non monetary benefits | Post - employment | | Equity Options issued | Total |
|--|---------------------------|--------------------------|-----------------------------|---------------------------|------------------------------|-----------------------------|---------|
| | \$ | \$ | \$ | Super- annuation \$ | Retirement benefits \$ | \$ | \$ |
| R T Calnan General Manager - Project & Business Development | 169,000 | - | 11,446 | 62,600 | - | - | 243,046 |
| P J Richardson Manager - Meekatharra Gold Operations | 150,000 | - | 10,789 | 15,000 | - | - | 175,789 |
| G C Miller Group Manager - Exploration | 145,000 | - | 3,320 | 21,750 | - | - | 170,070 |
| C W Davis Manager - Paulsens Project | 142,622 | - | 9,048 | 21,393 | - | - | 173,063 |
| E L Boyd (i) Manager - Corporate & Commercial, Company Secretary | 120,698 | - | 214 | 9,511 | - | - | 130,423 |
| A D Rule (ii) Chief Financial Officer, Coy Secretary | 87,796 | - | 3320 | 11,875 | 71,250 | - | 174,241 |
| Consolidated B Lambert (iii) General Manager - NuStar Mining Corporation Limited | 88,375 | - | 713 | 8,838 | - | 8,167 | 106,093 |

(i) Mr Boyd was appointed on 15 December 2003.

(ii) Mr Rule terminated employment as Chief Financial Officer on 30 November 2003 and resigned as Company Secretary on 15 December 2003.

(iii) Mr Lambert commenced with NuStar on 21 January 2004.

OPTIONS

Options over ordinary shares of St Barbara Mines Limited are as follows:

| | As at 30 June 2004 | As at the date of this report |
|---|--------------------|-------------------------------|
| Listed share options – see Note 19(b) | Nil | Nil |
| Unlisted share options – see Note 19(c) | 84,840,026 | 84,840,026 |

No options were exercised during or since the end of the financial year.

No options over unissued ordinary shares of St Barbara Mines Limited were granted during or since the end of the financial year to any of the Directors of the Company and the consolidated entity. However, 44,159,394 options over unissued ordinary shares were granted to RCF, an organisation connected to Mr H Tuten, as follows:

| Date of Grant | Shares Under Option | Exercise Price | Expiry Date |
|----------------------|----------------------------|-----------------------|--------------------|
| 7 July 2003 | 5,834,004 | \$0.2125 | 7 January 2007 |
| 7 July 2003 | 594,308 | \$0.2086 | 7 January 2007 |
| 7 July 2003 | 2,918,376 | \$0.2124 | 7 January 2007 |
| 7 July 2003 | 17,430,243 | \$0.1138 | 7 January 2007 |
| 28 November 2003 | 14,252,357 | \$0.1138 | 24 May 2008 |
| 28 November 2003 | 485,953 | \$0.2086 | 24 May 2008 |
| 28 November 2003 | 2,386,296 | \$0.2124 | 24 May 2008 |
| 28 November 2003 | 257,857 | \$0.2125 | 24 May 2008 |

No options over unissued ordinary shares of St Barbara Mines Limited were granted during or since the end of the financial year to the executive officers of the Company and the consolidated entity.

OFFICERS' INDEMNITIES AND INSURANCE

The Company has agreed to indemnify the following directors and officers of the Company, Mr S J C Wise, Mr E Eshuys, Mr H G Tuten, Mr M K Wheatley and Mr E L Boyd, against all liabilities to another person and the Company that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a willful breach of duty. The agreement stipulates that the Company will meet the full amount of such liabilities including costs and expenses.

The Company has paid or agreed to pay a premium in respect of a contract insuring directors and officers of the Company. That contract of insurance prohibits the Company disclosing the nature of the liability insured against and the amount of the premium paid therefore.

OCCUPATIONAL HEALTH, SAFETY, WELFARE AND THE ENVIRONMENT

Promoting and maintaining high standards of safe work practice and a safe and healthy workplace are integral to our business.

Commitment

The Company is committed to the concept of sustainable development which requires economic growth to be balanced by good stewardship and the protection of human health and the environment in which we live and work.

Maintenance of a system of safe work practices, a pro-active approach to control and management of hazards, and the development and improvement of management performance standards are integral to this approach.

Injury Frequency

This year Meekatharra Gold Operations reported 5 Lost Time Injuries (LTI) for the twelve months to 30 June 2004. The Lost Time Injury Frequency Rate (LTIFR) for the operation was 19.4 (rolling twelve month average), compared with the industry average of 5.

This represents a reduced performance compared to the previous year.

Incident investigations showed that 3 of the 5 Lost Time Incidents related to work conducted in contract drilling and contract demobilization tasks. These investigations highlighted the requirement for changes to the systems of work in these areas, which have been implemented.

Occupational Health, Safety and Welfare

Programs over the year focussed on the continuous improvement in participation of all employees in occupational health and safety issues management and decision making. This was supported by training in the areas of Hazard Identification and Emergency Response Planning, together with site OH&S Representative training, in particular targeting improved communications at all levels.

The workforce commitment to safety performance will continue to focus on improvement of safety systems and awareness which will target the reduction of the LTIFR to or below the industry average.

Environmental Management

The Company recognises that gold mining operations should be developed and managed on the basis of sustainable criteria and must contribute to the benefit of all stakeholders.

Directors' Report

Environmental programs conducted during the year included:

- Continued focus on site waste management, in particular management and disposal of hydrocarbon products.
- In addition to statutory monitoring requirements, regular self-audits were conducted throughout the year to monitor progress and to identify areas which required further management focus.
- Progressive rehabilitation earthworks were completed on most recently mined areas, with further work conducted on historical mining areas.

Rehabilitation

Mine site rehabilitation objectives are directed towards ensuring that the physical structures that remain after mine closure do not impose a long term hazard to public safety or the environment and that the mined area achieves the nominated post mining land use.

During the past year continued significant progress was made toward fulfilling these rehabilitation objectives. Work was undertaken across a range of sites which included rehabilitation earthworks programs at the three Paddys Flat low grade stockpile sites, making safe historic mine workings, waste dump slope profiling, capping with topsoil/oxide material and deep ripping in particular at the South Junction site.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors.



E ESHUYS
MANAGING DIRECTOR & CEO

Dated at Perth this 30th day of September 2004

Statements of Financial Performance

for the year ended 30 June 2004

| | Notes | Consolidated | | Company | |
|--|-------|------------------------|------------------------|------------------------|------------------------|
| | | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| Revenue from sale of gold | 3 | 21,972 | 56,111 | 21,972 | 56,111 |
| Other revenues from outside operating activities | 3 | 10,460 | 1,493 | 10,871 | 2,411 |
| Total revenue from ordinary activities | | 32,432 | 57,604 | 32,843 | 58,522 |
| Changes in inventories of finished goods | | (3,692) | (999) | (3,691) | (999) |
| Raw materials and consumables used | | (9,359) | (12,263) | (9,359) | (12,263) |
| Carrying value of net assets and non-current assets sold | | (6,849) | (184) | (6,849) | (184) |
| Contract mining, cartage, milling, maintenance, labour and consultants | | (8,685) | (22,195) | (8,000) | (22,195) |
| Tenement rent and rates | | (1,329) | (1,110) | (1,329) | (1,110) |
| Royalty cost expenses | | (671) | (1,728) | (671) | (1,728) |
| Employee benefits expenses | | (6,165) | (8,626) | (5,876) | (8,576) |
| Exploration drilling and assay expenditure | | (4,360) | (3,250) | (1,566) | (1,796) |
| Cumulative effect of exploration write off prior to 1 July 2002 | | - | (4,422) | - | (750) |
| Shares issued for native title | | - | (616) | - | - |
| Provision for diminution in investment in controlled entities | | - | - | (12,348) | (4,081) |
| Write down of mining development expenses | 4 | (6,497) | - | (6,497) | - |
| Write down of exploration tenements | 4 | (318) | - | (318) | - |
| Depreciation and amortisation expenses | 4 | (2,726) | (18,391) | (2,721) | (18,347) |
| Other expenses from ordinary activities | | (2,930) | (8,391) | (1,806) | (6,385) |
| Earnings / (loss) before interest and tax (EBIT) | | (21,148) | (24,571) | (28,188) | (19,892) |
| Borrowing cost expense | 4 | (4,080) | (5,449) | (3,741) | (5,078) |
| Loss from ordinary activities before related income tax expense | | (25,228) | (30,020) | (31,929) | (24,970) |
| Income tax expense | 5 | - | (2,965) | - | (2,965) |
| Loss from ordinary activities after related income tax expense | | (25,228) | (32,985) | (31,929) | (27,935) |
| Net loss attributable to outside equity interests | 21 | 913 | 252 | - | - |
| Net loss attributable to members of the Company | 20 | (24,315) | (32,733) | (31,929) | (27,935) |
| Total changes in equity attributable to members of the Company other than those resulting from transactions with owners as owners | | (24,315) | (32,733) | (31,929) | (27,935) |
| Basic and diluted (loss) per share (cents per share) | 32 | (4.70) | (8.00) | | |

The above Statements of Financial Performance should be read in conjunction with the accompanying notes.

Statements of Financial Position

as at 30 June 2004

| | Notes | Consolidated | | Company | |
|--------------------------------|-------|------------------------|------------------------|------------------------|------------------------|
| | | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash assets | 6 | 12,849 | 597 | 1 | 595 |
| Restricted cash | 7 | - | 280 | - | 280 |
| Receivables | 8 | 1,512 | 3,688 | 374 | 3,688 |
| Other financial assets | 14 | 188 | 4,891 | 21,888 | 4,891 |
| Inventories | 9 | 777 | 4,264 | 777 | 4,264 |
| Assets held for resale | 10 | 58 | 4,194 | 58 | 4,094 |
| Other | 11 | 630 | 1,250 | 599 | 1,219 |
| | | 16,014 | 19,164 | 23,697 | 19,031 |
| Non-current assets | | | | | |
| Restricted cash | 7 | 3,108 | 3,293 | 2,765 | 3,293 |
| Receivables | 8 | - | - | 1,140 | 18,240 |
| Other financial assets | 14 | - | - | - | 16,635 |
| Property, plant and equipment | 12 | 4,947 | 8,380 | 3,821 | 7,253 |
| Other | 11 | - | 83 | - | 83 |
| Mining properties | 13 | 42,401 | 46,372 | 13,538 | 19,224 |
| | | 50,456 | 58,128 | 21,264 | 64,728 |
| Total Assets | | 66,470 | 77,292 | 44,961 | 83,759 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Payables | 15 | 6,691 | 10,561 | 6,067 | 10,555 |
| Interest bearing liabilities | 16 | 9,832 | 15,151 | 8,932 | 15,151 |
| Provisions | 17 | 751 | 898 | 751 | 898 |
| | | 17,274 | 26,610 | 15,750 | 26,604 |
| Non-current liabilities | | | | | |
| Payables | 15 | - | - | 11,484 | 11,484 |
| Interest bearing liabilities | 16 | 75 | 8,833 | 75 | 8,833 |
| Provisions | 17 | 4,269 | 3,876 | 4,269 | 3,876 |
| | | 4,344 | 12,709 | 15,828 | 24,193 |
| Total Liabilities | | 21,618 | 39,319 | 31,578 | 50,797 |
| Net Assets | | 44,852 | 37,973 | 13,383 | 32,962 |
| Equity | | | | | |
| Contributed equity | 18 | 139,400 | 127,534 | 139,400 | 127,534 |
| Option reserve | 19(a) | 2,443 | 1,959 | 2,443 | 1,959 |
| Accumulated losses | 20 | (115,835) | (91,520) | (128,460) | (96,531) |
| Parent entity interest | | 26,008 | 37,973 | 13,383 | 32,962 |
| Outside equity interest | 21 | 18,844 | - | - | - |
| Total Equity | | 44,852 | 37,973 | 13,383 | 32,962 |

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

Statements of Cash Flows

for the year ended 30 June 2004

| | Notes | Consolidated | | Company | |
|--|-------|------------------------|------------------------|------------------------|------------------------|
| | | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| Cash Flows from Operating Activities | | | | | |
| Cash receipts in the course of operations (inclusive of goods and services tax) | | 24,684 | 63,043 | 24,507 | 62,802 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (31,712) | (63,256) | (27,799) | (63,268) |
| Interest received | | 1,343 | 292 | 1,056 | 292 |
| Borrowing costs paid and gold lease fees | | (2,662) | (68) | (1,732) | - |
| Finance charges - finance leases | | (162) | (340) | (162) | (340) |
| - hire purchase agreement | | (133) | (225) | (133) | (225) |
| Net cash flows provided by / (used in) operating activities | 30 | (8,642) | (554) | (4,263) | (739) |
| Cash Flows from Investing Activities | | | | | |
| Payments in respect of exploration, evaluation and development | | (5,043) | (13,050) | (3,327) | (9,984) |
| Payments for property, plant and equipment | | (42) | (205) | (38) | (205) |
| Cash received from tenements sold | | 1,020 | - | 1,000 | - |
| Cash received from investments sold | | 4,984 | - | 4,984 | - |
| Payments for investment in listed securities | | (500) | (365) | - | (365) |
| Net funds from controlled entities | | - | - | 490 | (10,254) |
| Proceeds from sale of property, plant and equipment | | 3,584 | 982 | 3,483 | 982 |
| Net cash flows provided by / (used in) investing activities | | 4,003 | (12,638) | 6,592 | (19,826) |
| Cash Flows from Financing Activities | | | | | |
| Principal repayments under secured loans | | (5,000) | - | (5,000) | - |
| Repayment of convertible loan | | - | (7,372) | - | - |
| Movement in restricted cash | | 465 | (1,736) | 808 | (1,736) |
| Proceeds from borrowings | | 4,500 | 8,493 | 3,500 | 8,493 |
| Proceeds from issue of shares and other equity securities | | 20,017 | 7,635 | 860 | 7,635 |
| Principal repayments - finance leases | | (2,315) | (1,204) | (2,315) | (1,204) |
| - hire purchase agreements | | (776) | (1,059) | (776) | (1,059) |
| Net cash flows provided by / (used in) financing activities | | 16,891 | 4,757 | (2,923) | 12,129 |
| Net increase / (decrease) in cash | | 12,252 | (8,435) | (594) | (8,436) |
| Cash at the beginning of the financial year | | 597 | 9,032 | 595 | 9,031 |
| Cash at the end of the financial year | 6 | 12,849 | 597 | 1 | 595 |
| Non-cash financing and investing activities | 30 | | | | |
| Financing facilities | 31 | | | | |

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The following accounting policies have been used by the consolidated entity for the periods presented:

(a) Going Concern

The consolidated financial statements have been prepared on a going concern basis. At 30 June 2004 the consolidated entity's current liabilities exceeded its current assets by \$1.26 million.

Further, cash assets on consolidation of \$12.85 million at 30 June 2004 were held substantially by the 54% owned NuStar Mining Corporation Limited ("NuStar") (formerly Taipan Resources NL) and are not available to meet the debts and commitments of other members of the consolidated entity.

The controlled entity, NuStar, has sufficient cash funds to meet its commitments and subsequent to balance date, announced on 29 September 2004 procurement of a \$30.3 million project financing facility to fund the development of the Paulsens project as well as to provide working capital.

The ability of the Company and its wholly owned controlled entities to continue as a going concern is dependent upon raising funds from the sale of assets and/or equity raisings as well as the repayment or rescheduling of short term secured debts.

Subsequent to balance date, a number of favourable transactions occurred during July 2004 as follows:

- placement of 86,122,000 shares which raised a net \$3.7 million;
- conversion of a \$4.4 million interest bearing convertible note to shares at a strike price of \$0.08 per share; and
- receipt of \$1.2 million advance against future equity raisings.

In addition, on 20 September 2004 the Company announced it had appointed Claymore Capital Pty Ltd ("Claymore") to assist the company with a number of transactions, including:

- (i) an initial sale of 100 million NuStar shares to third parties at not less than \$0.04 per share;
- (ii) the sale of the Paulsens 5% royalty owned by the Company to NuStar for not less than \$5.1 million and the sale of the Company's interest in the Pelican Joint Venture (adjacent to Paulsens) to NuStar; and
- (iii) the grant of an option to Claymore (or its nominees) to purchase 100 million NuStar shares at \$0.05 per share "at any time up to three months after the initial sale.

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

The anticipated outcomes of these transactions being completed are:

- enable the company to repay its short term secured debt of \$3.5 million; and
- provide sufficient net cash flow (subject to shareholder approval being obtained as required) to meet current obligations and future operating costs for the ensuing twelve months.

Should one or more of the asset sales announced on 20 September 2004 not proceed, Directors are confident of realising proceeds from the sale of all or part of the Company's substantial shareholding in NuStar to meet its funding requirements during this period.

In addition to the above transactions, the Company has:

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

However, should insufficient funds be derived from the transactions described above or should such transactions be delayed, there is significant uncertainty as to whether the Company and its wholly owned controlled entities will be able to continue as a going concern and, therefore, whether they will realise their assets and settle their liabilities and commitments in the normal course of business. At this time the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report. Accordingly, the financial report does not include any adjustments relating to the recoverability and classification of the asset carrying amounts or the classification of liability amounts that might be necessary should the entity not continue as a going concern.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by St Barbara Mines Limited as at 30 June 2004 and the results of all controlled entities for the year ended. St Barbara Mined Limited and its controlled entities are together referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(c) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition the value of the instruments is their market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising from the issue of equity instruments are charged directly against the equity raised.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Notes to the Financial Statements for the year ended 30 June 2004

(d) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs. The expected net cash flows included in determining the recoverable amounts of non current assets are not discounted.

(e) Treatment of Mining Properties

All exploration and evaluation expenditure incurred by or on behalf of the Company up to the decision by the Board to proceed with development of a mining property, is expensed as incurred. Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

Mining properties consists only of acquired exploration assets together with related mine development costs and capital assets. The cost of mineral properties includes the cash consideration and/or the fair value of shares issued on the date the property is acquired.

The recoverability of amounts shown for mining properties is dependent upon the existence of economically recoverable reserves; the acquisition and maintenance of appropriate permits, licenses and rights; the ability of the Company to obtain financing to complete the development of the properties where necessary and upon future profitable production; or, alternatively, upon the Company's ability to recover its spent costs through a disposition of its interests.

Mine development costs relating to mineral properties are deferred until the properties are brought into commercial production, at which time they are amortised over the estimated useful life of the related property or on a unit-of-production basis over proven and probable reserves. Pre-production credits, including the value of marketable metals extracted during mine development, are credited against costs incurred.

(f) Depreciation and Amortisation of Property, Plant and Equipment

The Directors have considered the economic life of mine buildings, machinery and equipment with due regard to both the physical life limitations, assessments of economically recoverable reserves of the mine property at which the items are located, and to possible future variations in those assessments. The estimated remaining useful life for all such assets is reviewed regularly with annual reassessments being made for major items.

The majority of mine buildings, plant and equipment (other than freehold land) are written off over their expected economic life. The expected useful lives are as follows:

| | |
|---------------------|---------------|
| Buildings | 10 years |
| Plant and Equipment | 3 to 13 years |

The total net carrying values of mine buildings, machinery and equipment at the mine property are reviewed regularly and, to the extent by which these values exceed their recoverable amounts, that excess is fully provided against in the financial year in which this is determined.

Profits and losses on disposal of property, plant and equipment are taken into account in determining the result for the year.

(g) Depreciation and Amortisation of Assets Held for Resale

Plant and equipment which is currently surplus to requirements and not used is not depreciated. When those assets are used, they are depreciated on an hourly basis. The total carrying value of these assets is not in excess of estimated market value.

(h) Accounting for Income Tax

Income tax has been brought to account using the liability method of tax effect accounting. Future income tax benefits relating to tax losses are only recognised and brought to account to the extent that their realisation is virtually certain.

Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

No provision is made for additional taxes which could become payable if certain reserves of the foreign controlled entity were to be distributed as it is not expected that any substantial amount will be distributed from those reserves in the foreseeable future.

Tax consolidation legislation

The Company and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision.

As a consequence, the Company, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense/(revenue).

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime.

(i) Investments

Investments in listed and unlisted securities, other than controlled entities, are stated at cost unless, in the opinion of the Directors, a provision for diminution in value is considered necessary. Income from investments is brought to account by the consolidated entity when dividends are received. Controlled entities are accounted for as set out in Note 1(b).

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of ore stockpiles and gold stocks includes direct material, direct labour, transportation costs, and variable and fixed overhead costs relating to mining activities.

Costs have been assigned to inventory quantities on hand at balance date using the weighted average basis.

(k) Maintenance and Repairs

Plant of the consolidated entity is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance programme. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1(f). Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

Notes to the Financial Statements for the year ended 30 June 2004

(l) Employee Benefits

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

Liabilities for wages and salaries and annual leave are recognised, and measured as the amount unpaid at the reporting date at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within twelve months of the reporting date is recognised in the provisions for employee entitlements and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than twelve months from the reporting date is recognised in the provisions for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the length of service and the probability of achievement of long service leave anniversary dates.

(iii) Ownership-based remuneration schemes

Ownership-based remuneration is provided to employees via the Employee Option Plan. Information relating to this scheme is set out in Note 27(d).

No accounting entries are made in relation to the Employee Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of Directors and executives in Note 23 include the assessed fair values of options at the date they were granted.

(m) Leased Assets

Assets acquired under finance leases are included as property, plant and equipment in the statement of financial position. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property. Where assets are acquired by means of finance leases, the present value of the minimum lease payments is recognised as an asset at the beginning of the lease term and amortised on a straight line basis over the expected useful life of the leased asset. A corresponding liability is also established and each lease payment is allocated between the liability and finance charge.

Other leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to expense over the period of expected benefit.

(n) Receivables

A provision is raised for any doubtful debts based on a review of all outstanding amounts at year end.

Bad debts are written off during the year in which they are identified.

(o) Revenue

Sales revenue represents revenue earned from the sale of gold and is recognised when title passes at the delivery point.

Revenue on sale of investments and tenements is recognised at disposal.

Interest revenue is recognised when it accrues taking into account interest rates applicable to financial assets.

(p) Cash Flows

For the purpose of the statements of cash flows, cash includes cash on hand, deposits held at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(q) Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables at balance date are translated at exchange rates at balance date. Exchange gains and losses are brought to account in determining the profit or loss for the year.

Exchange gains and losses and hedging costs arising on forward foreign exchange contracts entered into as hedges of specific commitments are deferred on the statement of financial position and included in the determination of the amounts at which the hedged transactions are brought to account. All exchange gains and losses relating to other hedge transactions are brought to account in the statement of financial performance in the same year as the exchange differences on the items covered by the hedge transactions.

Gains and losses on foreign currency transactions that are not accounted for as specific hedges, if any, are brought to account as they arise and disclosed as speculative gains or losses.

(r) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. These amounts are unsecured.

(s) Rehabilitation and Restoration Costs

Provision is made on a straight line basis for the consolidated entity's estimated liability under specific legislative requirements and the conditions of its mining leases for future costs expected to be incurred in restoring areas of interest. The estimated liability is based on the restoration work required, using existing technology, as a result of activities to date.

(t) Borrowing Costs

Borrowing costs are recognised as expenses in the year in which they are incurred. Borrowing costs include interest on bank overdrafts, short-term and long-term borrowings, finance lease charges, the fair value of equity securities issued in satisfaction of interest and facility fees and amortisation of establishment costs and facility fees in connection with the arrangement of borrowings.

(u) Interest Bearing Liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

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

(w) Earnings per Share

(iv) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(v) 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.

Notes to the Financial Statements

for the year ended 30 June 2004

(x) International Financial Reporting Standards (IFRS)

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

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

Included in note 34 to the financial statements is a reconciliation of Australian Generally Accepted Accounting Principles (GAAP) to IFRS, which details significant differences between the two as they relate to the consolidated entity, based on IFRS which are currently applicable. This reconciliation is included as part of the requirements of the company's secondary listing on the Alternative Investment Market on the London Stock Exchange.

In addition to the differences included in note 34, the adoption of IFRS on or after 1 January 2005 may result in further differences as new IFRS become applicable. Major changes identified as a result of the new IFRS and the consolidated entity's current accounting policies include:

Equity-based compensation benefits

Under AASB 2 Share based Payment, equity-based compensation to employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

The reconciliation between AGAAP and IAS detailed at note 34 and the above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons, it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

2. SEGMENT INFORMATION

The Consolidated Entity operates predominantly in the gold mining and exploration industry in Australia.

The Consolidated Entity's head office is in Australia.

| | Consolidated | | Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| 3. REVENUE | | | | |
| Revenue from operating activities | | | | |
| Revenue from sale of gold | 21,972 | 56,111 | 21,972 | 56,111 |
| Revenue from non-operating activities | | | | |
| Proceeds on sale of investments | 5,063 | 17 | 4,984 | - |
| Proceeds on sale of tenements | 1,020 | 35 | 1,000 | - |
| Proceeds on sale of property, plant and equipment | 3,486 | 982 | 3,483 | 982 |
| Interest received | 502 | 292 | 1,056 | 1,429 |
| Other | 389 | 167 | 348 | - |
| Total revenue from ordinary activities | 32,432 | 57,604 | 32,843 | 58,522 |

4. (LOSS) FROM ORDINARY ACTIVITIES

(Loss) from ordinary activities before income tax expense includes the following specific net gains and expenses:

Net Gains

Net gain on disposal of:

| | | | | |
|---------------------------------|-------|-----|-------|-----|
| - Investments | 172 | 17 | 93 | - |
| - Property, plant and equipment | - | 798 | - | 798 |
| - Tenements | 1,020 | - | 1,000 | - |

Expenses

| | | | | |
|--------------------|--------|--------|--------|--------|
| Cost of gold sales | 21,165 | 60,764 | 21,165 | 60,764 |
|--------------------|--------|--------|--------|--------|

Amortisation:

| | | | | |
|---|-------|--------|-------|--------|
| - Mining expenses | 1,200 | 15,641 | 1,200 | 15,641 |
| Write down of mining development expenses | 1,241 | - | 1,241 | - |
| Write-down of exploration tenements | 318 | - | 318 | - |
| Loss on disposal of property, plant and equipment | 2,462 | - | 2,462 | - |

Depreciation:

| | | | | |
|-----------------------|-------|-------|-------|-------|
| - Buildings | 102 | 178 | 102 | 178 |
| - Plant and equipment | 1,424 | 2,572 | 1,419 | 2,528 |
| | 1,526 | 2,750 | 1,521 | 2,706 |

Borrowing cost expensed:

| | | | | |
|-----------------------------------|-------|-------|-------|-------|
| - Interest paid | 1,523 | 3,547 | 1,434 | 3,176 |
| - Convertible Note borrowing cost | 2,262 | 1,337 | 2,012 | 1,337 |
| - Finance charges relating to: | | | | |
| - finance leases | 162 | 340 | 162 | 340 |
| - hire purchase | 133 | 225 | 133 | 225 |
| | 4,080 | 5,449 | 3,741 | 5,078 |

Rental of premises

| | | | | |
|--|-----|-----|-----|-----|
| | 274 | 418 | 274 | 418 |
|--|-----|-----|-----|-----|

Royalties

| | | | | |
|--|-----|-------|-----|-------|
| | 671 | 1,728 | 671 | 1,728 |
|--|-----|-------|-----|-------|

Provision for:

| | | | | |
|---------------------------------------|-------|-----|-------|-----|
| - Rehabilitation | 495 | 598 | 495 | 598 |
| - Inventories | (204) | 96 | (204) | 96 |
| - Diminution of exploration tenements | 5,256 | - | 5,256 | - |

| | | | | |
|---|---|------|---|------|
| Cost/adjustments associated with surplus office space | - | (13) | - | (13) |
|---|---|------|---|------|

Notes to the Financial Statements for the year ended 30 June 2004

| | Consolidated | | Company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| 5. INCOME TAX | | | | |
| (a) Tax Expense | | | | |
| The amount of income tax expense for the financial year differs from the amount calculated on the loss. The differences are reconciled as follows: | | | | |
| Loss from ordinary activities before income tax expense | | | | |
| | (25,228) | (30,020) | (31,929) | (24,970) |
| Income tax calculated at 30% (2003 - 30%) | 7,568 | 9,006 | 9,579 | 7,491 |
| Tax effect of permanent differences: | | | | |
| - Provision for diminution in investments | (90) | - | (3,720) | (1,224) |
| - Legal and other capital expenditure | (91) | (132) | (91) | (127) |
| - Sundry items | (3) | (20) | (3) | (20) |
| | (184) | (152) | (3,814) | (1,371) |
| Income tax adjusted for permanent differences | 7,384 | 8,854 | 5,765 | 6,120 |
| Net future income tax benefit not brought to account | (7,384) | (8,854) | (5,765) | (6,120) |
| Future income tax benefits previously recognised, now written off | - | (2,965) | - | (2,965) |
| Income tax (expense) | - | (2,965) | - | (2,965) |
| (b) Unbooked future income tax benefit | | | | |
| Future income tax benefit attributable to operating losses | 33,263 | 26,401 | 25,809 | 21,617 |
| Less: offset to provision for deferred income tax | (1,357) | (4,248) | (834) | (3,870) |
| | 31,906 | 22,153 | 24,975 | 17,747 |
| Future income tax benefit attributable to timing differences not brought to account | 1,674 | 1,615 | 1,602 | 1,615 |
| Future income tax benefit not brought to account | 33,580 | 23,768 | 26,577 | 19,362 |

These benefits will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised; or
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

(c) Tax consolidation legislation

The Company and its wholly-owned Australian subsidiaries have decided to implement tax consolidation in respect of the year ended 30 June 2004. The Australian Taxation Office has not yet been notified of this decision. The accounting policy on implementation of the legislation is set out in note 1(h). As the company and consolidated entity are in a carried forward tax loss position and do not currently recognise deferred tax balances in the financial statements, there has not been a material impact on company or consolidated assets, liabilities and results from implementation of the legislation.

6. CASH ASSETS

Current

| | Consolidated | | Company | |
|----------------------|------------------------|------------------------|------------------------|------------------------|
| | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| Current cash on hand | 1 | 1 | 1 | 1 |
| Cash on call | 12,848 | 596 | - | 594 |
| | <u>12,849</u> | <u>597</u> | <u>1</u> | <u>595</u> |

7. RESTRICTED CASH

Current

| | | | | |
|------------------|---|-----|---|-----|
| Term deposit (i) | - | 280 | - | 280 |
|------------------|---|-----|---|-----|

Non-Current

| | | | | |
|-------------------|--------------|--------------|--------------|--------------|
| Term deposit (i) | 40 | - | 40 | - |
| Term deposit (ii) | 3,068 | 3,293 | 2,725 | 3,293 |
| | <u>3,108</u> | <u>3,293</u> | <u>2,765</u> | <u>3,293</u> |

- (i) Funds placed on security deposit for lease rental. The current lease expires on 31 January 2006.
- (ii) Funds placed on security deposit with Macquarie Bank Limited as security for performance bonds issued by Macquarie Bank Limited to WA Department of Minerals and Petroleum.

8. RECEIVABLES

Current

| | | | | |
|------------------------------|--------------|--------------|------------|--------------|
| Trade debtors | 576 | 2,318 | 382 | 2,318 |
| Provision for doubtful debts | (222) | - | (222) | - |
| Other debtors (i) | 1,158 | 1,370 | 214 | 1,370 |
| | <u>1,512</u> | <u>3,688</u> | <u>374</u> | <u>3,688</u> |

- (i) Other debtors in the consolidated entity includes a GST receivable of \$580,811 and funds held by Claymore Capital on behalf of NuStar of \$362,466.

Non-Current

| | | | | |
|--|----------|----------|--------------|---------------|
| Non-trade receivables from controlled entities | - | - | 2,770 | 19,600 |
| Less: provision for non-recovery | - | - | (1,630) | (1,360) |
| | <u>-</u> | <u>-</u> | <u>1,140</u> | <u>18,240</u> |

Notes to the Financial Statements for the year ended 30 June 2004

| | Consolidated | | Company | |
|-----------------------------------|------------------------|------------------------|------------------------|------------------------|
| | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| 9. INVENTORIES | | | | |
| Current | | | | |
| Consumables and spares - at cost | 870 | 1,749 | 870 | 1,749 |
| Less: provision for obsolescence | (130) | (334) | (130) | (334) |
| | 740 | 1,415 | 740 | 1,415 |
| Ore stockpiles – at cost | - | 1,009 | - | 1,009 |
| Gold in circuit – at cost | 37 | 1,840 | 37 | 1,840 |
| | 777 | 4,264 | 777 | 4,264 |
| 10. ASSETS HELD FOR RESALE | | | | |
| Current | | | | |
| Plant and equipment | | | | |
| - Under finance lease | - | 5,261 | - | 5,261 |
| - Accumulated amortisation | - | (1,261) | - | (1,261) |
| | - | 4,000 | - | 4,000 |
| Plant and equipment owned | | | | |
| - At cost | 1,587 | 2,342 | 1,587 | 2,019 |
| - Accumulated depreciation | (1,529) | (2,148) | (1,529) | (1,925) |
| | 58 | 194 | 58 | 94 |
| | 58 | 4,194 | 58 | 4,094 |
| 11. OTHER ASSETS | | | | |
| Current | | | | |
| Prepayments | 630 | 1,101 | 599 | 1,070 |
| Unexpired hire purchase charges | - | 149 | - | 149 |
| | 630 | 1,250 | 599 | 1,219 |
| Non-Current | | | | |
| Unexpired hire purchase charges | - | 83 | - | 83 |

12. PROPERTY, PLANT AND EQUIPMENT

Non-Current

Property, plant and equipment – at cost

| | Consolidated | | Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| Land | 1,244 | 1,249 | 135 | 140 |
| Buildings | 4,434 | 4,683 | 4,434 | 4,683 |
| Less: Accumulated depreciation | (4,238) | (4,300) | (4,238) | (4,300) |
| | 196 | 383 | 196 | 383 |
| Plant and equipment | 55,457 | 59,319 | 55,270 | 59,136 |
| Less: Accumulated depreciation and provision for diminution | (51,950) | (52,571) | (51,780) | (52,406) |
| Written down value of plant and equipment | 3,507 | 6,748 | 3,490 | 6,730 |
| | 4,947 | 8,380 | 3,821 | 7,253 |

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

Land

| | | | | |
|--|-------|-------|-----|-----|
| Carrying amount at the beginning of year | 1,249 | 1,255 | 140 | 146 |
| Disposals | (5) | (6) | (5) | (6) |
| Carrying amount at the end of the year | 1,244 | 1,249 | 135 | 140 |

Buildings

| | | | | |
|--|-------|-------|-------|-------|
| Carrying amount at the beginning of year | 383 | 539 | 383 | 539 |
| Disposals | (85) | - | (85) | - |
| Depreciation | (102) | (178) | (102) | (178) |
| Transfer to / (from) buildings | - | 22 | - | 22 |
| Carrying amount at the end of the year | 196 | 383 | 196 | 383 |

Plant and equipment

| | | | | |
|--|---------|---------|---------|---------|
| Carrying amount at the beginning of year | 6,748 | 8,112 | 6,730 | 8,054 |
| Additions | 42 | 205 | 38 | 205 |
| Disposals | (1,859) | (47) | (1,859) | (47) |
| Depreciation | (1,424) | (1,674) | (1,419) | (1,634) |
| Under construction | - | - | - | - |
| Transfer to / (from) plant and equipment | - | 152 | - | 152 |
| Carrying amount at the end of the year | 3,507 | 6,748 | 3,490 | 6,730 |
| | 4,947 | 8,380 | 3,821 | 7,253 |

Notes to the Financial Statements for the year ended 30 June 2004

| | Consolidated | | Company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| 13. Mining properties | | | | |
| Non-Current | | | | |
| Opening balance | 46,372 | 58,188 | 19,224 | 27,370 |
| Direct expenditure | 4,383 | 10,558 | 2,668 | 6,877 |
| Acquired tenements | - | 3,164 | - | 3,164 |
| Provision for diminution | (6,497) | - | (6,497) | - |
| Amortisation charge for the year | (1,539) | (15,641) | (1,539) | (15,641) |
| Write down as per Director's recommendation | (318) | - | (318) | - |
| Write down due to change in accounting policy (see Note 1(e)) | - | (9,897) | - | (2,546) |
| Closing balance | 42,401 | 46,372 | 13,538 | 19,224 |
| Mining properties | | | | |
| Areas of interest in the exploration / evaluation stage: | | | | |
| - at cost ⁽ⁱ⁾ | 52,228 | 48,734 | 16,013 | 14,234 |
| - provision for diminution | (5,256) | - | (5,256) | - |
| - write down as per Director's recommendation | (318) | - | (318) | - |
| - write down due to change in accounting policy (see Note 1(e)) | (7,352) | (7,352) | - | - |
| | 39,302 | 41,382 | 10,439 | 14,234 |
| Areas of interest in the development and production phase | | | | |
| - at cost | 110,851 | 109,962 | 110,851 | 109,962 |
| - accumulated amortisation | (60,614) | (59,075) | (60,614) | (59,075) |
| - writedown as per Directors' recommendation | (1,241) | - | (1,241) | - |
| - write down due to change in accounting policy (see Note 1(e)) | (2,546) | (2,546) | (2,546) | (2,546) |
| - provision for diminution | (43,351) | (43,351) | (43,351) | (43,351) |
| | 3,099 | 4,990 | 3,099 | 4,990 |
| | 42,401 | 46,372 | 13,538 | 19,224 |

⁽ⁱ⁾ Certain exploration interests are subject to farm-in agreements, which may result in the establishment of joint ventures in the future.

14. OTHER FINANCIAL ASSETS

Current

Investments in other entities:

| | | | | |
|-------------------------------|---|-------|---|-------|
| - Listed securities - at cost | - | 4,891 | - | 4,891 |
|-------------------------------|---|-------|---|-------|

Investments in controlled entities:

| | | | | |
|---|-------|-------|----------|-------|
| - Unlisted securities (at cost) | - | - | 179 | - |
| - Listed securities (at cost) ⁽²⁾⁽³⁾ | 500 | - | 38,138 | - |
| Provision for diminution | (312) | - | (16,429) | - |
| - Market value | 188 | - | 21,709 | - |
| | 188 | 4,891 | 21,888 | 4,891 |

Non-Current

Investments in controlled entities:

| | | | | |
|--|---|---|---|---------|
| - Unlisted securities (at cost) | - | - | - | 179 |
| - Listed securities (at cost) ⁽²⁾ | - | - | - | 20,537 |
| Provision for diminution | - | - | - | (4,081) |
| - Market value | - | - | - | 16,456 |
| | - | - | - | 16,635 |

Listed securities in other entities – market value

The aggregate market value at balance date of investments in other entities listed on a prescribed stock exchange is:

Current:

| | | | | |
|------------------------------------|---|-------|---|-------|
| - Listed securities ⁽¹⁾ | - | 4,662 | - | 4,662 |
|------------------------------------|---|-------|---|-------|

Non-Current:

| | | | | |
|------------------------------------|---|---|---|---|
| - Listed securities ⁽¹⁾ | - | - | - | - |
|------------------------------------|---|---|---|---|

Listed securities in controlled entities - market value

The aggregate market value at balance date of investments in controlled entities listed on a prescribed stock exchange is:

Current:

| | | | | |
|------------------------------------|---|---|--------|-------|
| - Listed securities ⁽²⁾ | - | - | 18,452 | 4,768 |
|------------------------------------|---|---|--------|-------|

Due to losses carried forward, the amount of tax that would have been paid if these assets were to be sold at market value at balance date is nil.

At balance date, securities were held in the following listed entities:

⁽¹⁾ The consolidated entity held nil shares in Dioro Exploration NL at 30 June 2004 (2003: 44,400,000). All of the 44,400,000 shares were sold on 3 July 2003 realising net proceeds of \$4,984,000.

⁽²⁾ NuStar Mining Corporation Limited. The consolidated entity held 542,719,338 fully paid ordinary shares (2003:190,719,338).

⁽³⁾ The consolidated entity held 15,650,000 shares in Strata Mining Corporation Ltd (“Strata”), a listed entity (2003: nil). At 30 June 2004 the investment was written down to market value. Mr S W Miller was a director of Strata during the financial year.

Notes to the Financial Statements for the year ended 30 June 2004

| | Consolidated | | Company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| 15. PAYABLES | | | | |
| Current | | | | |
| Trade creditors and accruals | 6,691 | 10,561 | 5,851 | 10,555 |
| Loans from controlled entities – unsecured | - | - | 216 | - |
| | 6,691 | 10,561 | 6,067 | 10,555 |
| Non-Current | | | | |
| Loans from controlled entities – unsecured | - | - | 11,484 | 11,484 |
| 16. INTEREST BEARING LIABILITIES | | | | |
| Current | | | | |
| Lease liability – secured ⁽¹⁾ | - | 2,018 | - | 2,018 |
| Hire purchase liability – secured | 188 | 1,133 | 188 | 1,133 |
| Convertible notes – secured ^{(2) (3)} | 6,144 | - | 5,244 | - |
| Other loans - secured ^{(4) (5)} | 3,500 | 12,000 | 3,500 | 12,000 |
| | 9,832 | 15,151 | 8,932 | 15,151 |
| Non Current | | | | |
| Hire purchase liability – secured | 75 | 1,528 | 75 | 1,528 |
| Convertible loan - unsecured ⁽²⁾ | - | 7,305 | - | 7,305 |
| | 75 | 8,833 | 75 | 8,833 |

⁽¹⁾ Secured by a fixed charge over the item of plant and equipment purchased by the funds advanced. The lease liability was paid out in April 2004

⁽²⁾ On 10 July 2003, the Company announced that the existing convertible note loan dated 27 February 2003 had been cancelled and a new convertible loan for \$7.2 million had been entered into with Ocean Resources Capital Holdings Limited (“Ocean”) effective 19 June 2003. The new unsecured convertible loan repayment date was 19 December 2005 and carried an interest rate of 12%. The loan was convertible, at the option of Ocean, into 90,000,000 fully paid ordinary shares in the Company at \$0.08 per share. Shares issued pursuant to the convertible note loan were approved at the 25 November 2003 General Meeting.

On 5 December 2003, the Company issued 35 million fully paid ordinary shares at \$0.08 per share for \$2.8 million to partly satisfy the convertible note loan. This resulted in the remaining face value owing being reduced to \$4.4 million.

On 15 July 2004, the Company announced the conversion by Ocean of the face value of its convertible note of \$4.4 million into 55 million ordinary shares at \$0.08 per share. Interest due on the convertible note loan was also satisfied by the issue of 17,480,547 fully paid ordinary shares at \$0.046 per share.

⁽³⁾ On 30 September 2003, NuStar entered into an unsecured convertible note with Claymore Capital Pty Ltd (“Claymore”), arranger of this transaction, for up to \$1.5 million. During the year \$1.0 million was drawn down on this facility. The convertible note is repayable on or before 30 September 2004 and bears interest at 13.5%. The convertible note is convertible at the option of Claymore into either:

- a) fully paid ordinary shares of NuStar using the following formula:
- i) up to 30 June 2004 at \$0.05 per NuStar Share; and
 - ii) after 30 June 2004 but before 30 September 2004, the lower of:
 1. \$0.065 per NuStar share; and
 2. 85% of the volume weighted average price of the NuStar shares on ASX during the 30 day period prior to the Conversion Date provided that the minimum strike price calculable is \$0.05; or
- b) fully paid ordinary shares of the Company at \$0.08 per share.

At the Annual General Meeting of NuStar held on 12 December 2003, shareholders approved the issue of shares to Claymore should Claymore elect to convert the convertible note into fully paid shares in NuStar. Following this, Claymore converted \$100,000 of the convertible note into 2,000,000 shares in NuStar which were issued on 23 December 2003.

⁽⁴⁾ On 9 July 2003, \$5 million of the RCF Facility was repaid on receipt of the proceeds of the sale of the shares in Dioro Exploration NL.

On 28 November 2003, the balance of the \$7 million RCF Facility was converted at \$0.08 per share into 87,500,000 fully paid ordinary shares. Interest and fees due were also converted at \$0.08 into 8,184,932 fully paid ordinary shares.

⁽⁵⁾ On 8 May 2004, the Company entered into a margin lending facility with Galviston Pty Limited for \$3,500,000.

The amount is secured over the investment in NuStar. The market value of NuStar at 30 June 2004 was \$18.4 million.

| | Consolidated | | Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| Assets pledged as security | | | | |
| The carrying amounts of assets pledged as security are: | | | | |
| Secured loan | | | | |
| - Market value of listed securities | 18,452 | - | 18,452 | - |
| First Mortgage | | | | |
| - Property, plant and equipment | - | 8,380 | - | 7,253 |
| - Other financial assets | - | 4,891 | - | 25,607 |
| Finance Lease | | | | |
| - Plant and equipment under finance lease | 759 | 4,000 | 759 | 4,000 |
| Floating Charge | | | | |
| - Cash and restricted cash | 3,067 | 4,170 | 2,725 | 4,168 |
| Receivables | - | 3,688 | - | 3,688 |
| Total assets pledged as security | 22,278 | 25,129 | 21,936 | 44,716 |

Notes to the Financial Statements for the year ended 30 June 2004

| | Consolidated | | Company | |
|--------------------------------|------------------------|------------------------|------------------------|------------------------|
| | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| 17. PROVISIONS | | | | |
| Current | | | | |
| Employee benefits | 751 | 771 | 751 | 771 |
| Directors' retirement benefits | - | 98 | - | 98 |
| Surplus leased space | - | 29 | - | 29 |
| | <u>751</u> | <u>898</u> | <u>751</u> | <u>898</u> |
| Non-Current | | | | |
| Employee benefits | 78 | 180 | 78 | 180 |
| Rehabilitation | 4,191 | 3,696 | 4,191 | 3,696 |
| | <u>4,269</u> | <u>3,876</u> | <u>4,269</u> | <u>3,876</u> |

Movements in Provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

| | Directors' retirement benefits \$'000 | Surplus leased space \$'000 | Total \$'000 |
|--------------------------------------|--|--------------------------------------|-----------------|
| Consolidated and Company | | | |
| Current | | | |
| Carrying amount at start of the year | 98 | 29 | 127 |
| Payments made | - | (29) | (127) |
| Written off | (98) | - | - |
| Carrying amount at end of the year | <u>-</u> | <u>-</u> | <u>-</u> |
| Non-Current | | | |
| Carrying amount at start of the year | | 3,696 | 3,696 |
| Additional provision made | | 495 | 495 |
| Carrying amount at end of the year | | <u>4,191</u> | <u>4,191</u> |

| Consolidated | | Company | |
|--------------|--------------|--------------|--------------|
| 30 June 2004 | 30 June 2003 | 30 June 2004 | 30 June 2003 |
| \$'000 | \$'000 | \$'000 | \$'000 |

18. CONTRIBUTED EQUITY

Ordinary Share Capital

| | | | | |
|--------------------|---------|---------|---------|---------|
| Issued and paid up | 139,400 | 127,534 | 139,400 | 127,534 |
|--------------------|---------|---------|---------|---------|

These shares have no par value and are fully paid 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.

Movements in Ordinary Share Capital

| Date | Details | Notes | Number of shares | Issue price | \$'000 |
|-------------------|------------------------|-------|--------------------|-------------|----------------|
| 30 June 02 | Opening Balance | | 319,758,267 | | 118,213 |
| 15 July 02 | Share issue | (1) | 1,210,052 | \$0.2037 | 246 |
| 15 July 02 | Share issue | (1) | 196,562 | \$0.2263 | 44 |
| 15 July 02 | Share issue | (2) | 1,846,628 | \$0.2143 | 396 |
| 21 Aug 02 | Placement | (2) | 34,333,332 | \$0.1650 | 5,665 |
| | Share issue expenses | | - | - | (993) |
| 17 Oct 02 | Share issue | (3) | 280,140 | \$0.1973 | 55 |
| 2 Dec 02 | Share issue | (1) | 1,562,000 | \$0.0960 | 150 |
| 31 Dec 02 | Share issue | (1) | 1,067,616 | \$0.0843 | 90 |
| 31 Dec 02 | Share issue | (1) | 4,261,200 | \$0.1021 | 435 |
| 31 Dec 02 | Share issue | (1) | 437,006 | \$0.1136 | 50 |
| 31 Jan 03 | Share issue | (4) | 15,000,000 | \$0.1100 | 1,650 |
| | Share issue expenses | | - | - | (83) |
| 17 Feb 03 | Share issue | (5) | 5,600,000 | \$0.1100 | 616 |
| 14 Mar 03 | Correction | | 500 | - | - |
| 26 June 03 | Share issue | (6) | 15,000,000 | - | - |
| 26 June 03 | Share issue | (7) | 15,000,000 | \$0.0667 | 1,000 |
| 30 June 03 | Balance | | 415,553,303 | | 127,534 |
| 7 July 03 | Share issue | (8) | 15,910,922 | \$0.0374 | 595 |
| 22 Sept 03 | Share issue | (9) | 12,000,000 | \$0.0800 | 960 |
| | Share issue expenses | | | | (144) |
| 28 Nov 03 | Share issue | (10) | 95,684,932 | \$0.0800 | 7,655 |
| 5 Dec 03 | Share issue | (11) | 35,000,000 | \$0.0800 | 2,800 |
| 30 June 04 | Closing Balance | | 574,149,157 | | 139,400 |

(1) Share issue to RCF for Facility interest and fees.

(2) Placement to raise working capital.

(3) Share issue in accordance with an agreement with Grimwood Davies Pty Ltd for conducting a drilling programme in the Meekatharra area.

(4) Placement to raise working capital.

(5) Share issue on finalisation of Paulsens Native Title agreement.

(6) Share issue on part conversion of convertible note – see Note 17 (4).

(7) Placement to raise working capital.

(8) Share issue to RCF for facility interest.

(9) Placement to raise working capital.

(10) Share issue to RCF for corporate debt and interest.

(11) Share issue on conversion of unsecured convertible notes.

Notes to the Financial Statements for the year ended 30 June 2004

| Consolidated | | Company | |
|--------------|--------------|--------------|--------------|
| 30 June 2004 | 30 June 2003 | 30 June 2004 | 30 June 2003 |
| \$'000 | \$'000 | \$'000 | \$'000 |

19. OPTIONS

(a) Option Reserve

| | | | | |
|---|-------|-------|-------|-------|
| Option reserve at the beginning of the financial period | 1,959 | 430 | 1,959 | 430 |
| Options issued during the financial period | 484 | 1,529 | 484 | 1,529 |
| Option reserve at the end of the financial period | 2,443 | 1,959 | 2,443 | 1,959 |

This option reserve arises from 44,159,394 unlisted being issued during the course of the year.

The fair value of each option issued has been valued using the Black-Scholes option pricing model after considering factors such as the term of the option, the risk free interest rate and the volatility of the share price.

(b) Listed Share Options

A total of 44,329,106 listed share options expired on 29 February 2004. The consolidated entity had no listed share options on issue at 30 June 2004.

Movements in Listed Options

| Date | Details | Number of Options | Exercise price | Issue Date | Expiry Date |
|------------------|---|-------------------|----------------|------------|-------------|
| 30 Jun 02 | Opening Balance | 22,163,106 | | | |
| 21 Aug 02 | Placement | 17,166,000 | \$0.30 | 21 Aug 02 | 29 Feb 04 |
| 6 Sep 02 | Toto Capital | 5,000,000 | \$0.30 | 6 Sep 02 | 29 Feb 04 |
| 30 Jun 03 | Balance | 44,329,106 | | | |
| 29 Feb 04 | NuStar Mining (formerly Taipan) - expired | (20,913,106) | \$0.30 | 1 May 01 | 29 Feb 04 |
| 29 Feb 04 | Tricom Equities Ltd | (1,250,000) | \$0.30 | 2 Apr 02 | 29 Feb 04 |
| 29 Feb 04 | Placement - expired | (17,166,000) | \$0.30 | 21 Aug 02 | 29 Feb 04 |
| 29 Feb 04 | Toto Capital - expired | (5,000,000) | \$0.30 | 6 Sep 02 | 29 Feb 04 |
| 30 Jun 04 | Closing Balance | 0 | | | |

(c) Unlisted Share Options

At 30 June 2004, the consolidated entity had 84,840,026 unlisted share options on issue.

On 20 October 1995, shareholders at a general meeting approved the Employee Share Option Plan (ESOP).

The purpose of the ESOP is to provide an incentive to executive officers on the Company. No new options will be issued in the future under this ESOP.

On 28 November 2001, shareholders at a general meeting approved a new Employee Option Plan.

Each unlisted share option entitles the holder to subscribe for one ordinary share on, substantially, the following terms:

- (i) each unlisted option entitles the holder to subscribe for one ordinary share at the exercise prices set out below;
- (ii) the unlisted options are exercisable at any time up to 5.00pm Perth, Western Australia time on the dates set out below by completing an option exercise form and delivering it together with the required payment for the relevant number of ordinary shares in respect of which the unlisted options are exercised to the registered office of the Company. Any unlisted options not exercised by that time will lapse.

Movements in Unlisted Options

Unlisted options are not admitted to the official list of ASX.

| Date | Details | Number of Options | Exercise Price | Issue Date | Expiry Date |
|------------------|--|-------------------|----------------|------------|-------------|
| 30 Jun 02 | Opening Balance | 36,077,347 | | | |
| 15 Jul 02 | RCF Facility | 49,252 | \$0.2086 | 15 Jul 02 | 15 Jul 05 |
| 15 Jul 02 | RCF Facility | 241,854 | \$0.2124 | 15 Jul 02 | 15 Jul 05 |
| 15 Jul 02 | RCF Facility | 483,482 | \$0.2125 | 15 Jul 02 | 15 Jul 05 |
| 6 Aug 02 | RCF Facility | 50,894 | \$0.2086 | 6 Aug 02 | 15 Aug 05 |
| 6 Aug 02 | RCF Facility | 249,917 | \$0.2124 | 6 Aug 02 | 15 Aug 05 |
| 6 Aug 02 | RCF Facility | 499,597 | \$0.2125 | 6 Aug 02 | 15 Aug 05 |
| 13 Sep 02 | RCF Facility | 50,894 | \$0.2086 | 13 Sep 02 | 6 Sep 05 |
| 13 Sep 02 | RCF Facility | 249,917 | \$0.2124 | 13 Sep 02 | 6 Sep 05 |
| 13 Sep 02 | RCF Facility | 499,597 | \$0.2125 | 13 Sep 02 | 6 Sep 05 |
| 15 Oct 02 | RCF Facility | 49,252 | \$0.2086 | 15 Oct 02 | 15 Oct 05 |
| 15 Oct 02 | RCF Facility | 241,854 | \$0.2124 | 15 Oct 02 | 15 Oct 05 |
| 15 Oct 02 | RCF Facility | 483,482 | \$0.2125 | 15 Oct 02 | 15 Oct 05 |
| 7 Jan 03 | RCF Facility | 3,177,890 | \$0.1138 | 7 Jan 03 | 7 Jul 06 |
| 7 Jan 03 | RCF Facility | 151,040 | \$0.2086 | 7 Jan 03 | 7 Jul 06 |
| 7 Jan 03 | RCF Facility | 741,686 | \$0.2124 | 7 Jan 03 | 7 Jul 06 |
| 7 Jan 03 | RCF Facility | 1,482,677 | \$0.2125 | 7 Jan 03 | 7 Jul 06 |
| 17 Jan 03 | Employee Option Plan 2001 | 1,775,000 | \$0.3500 | 17 Jan 03 | 17 Jan 08 |
| 17 Jan 03 | Employee Option Plan 2001 - cancelled | (1,425,000) | \$0.3500 | 26 Apr 02 | 26 Apr 07 |
| 20 Feb 03 | RCF Facility | 1,000,000 | \$0.1100 | 20 Feb 03 | 31 Dec 05 |
| 31 Mar 03 | Employee Option Plan 2001 - cancelled | (525,000) | \$0.3500 | 26 Apr 02 | 26 Apr 07 |
| 31 Mar 03 | Employee Option Plan 2001 - cancelled | (200,000) | \$0.3500 | 17 Jan 03 | 17 Jan 08 |
| 31 Mar 03 | Employee Share Plan 1995 - expired | (250,000) | \$0.2500 | 2 Mar 00 | 31 Mar 03 |
| 31 Mar 03 | Employee Share Plan 1995 - expired | (250,000) | \$0.3500 | 2 Mar 00 | 31 Mar 03 |
| 30 Jun 03 | Balance | 44,905,632 | | | |
| 7 Jul 03 | RCF Facility | 11,555,962 | \$0.1138 | 7 Jul 03 | 7 Jan 07 |
| 7 Jul 03 | RCF Facility | 394,016 | \$0.2086 | 7 Jul 03 | 7 Jan 07 |
| 7 Jul 03 | RCF Facility | 1,934,835 | \$0.2124 | 7 Jul 03 | 7 Jan 07 |
| 7 Jul 03 | RCF Facility | 3,867,849 | \$0.2125 | 7 Jul 03 | 7 Jan 07 |
| 7 Jul 03 | RCF Facility | 5,874,281 | \$0.1138 | 7 Jul 03 | 7 Jan 07 |
| 7 Jul 03 | RCF Facility | 200,292 | \$0.2086 | 7 Jul 03 | 7 Jan 07 |
| 7 Jul 03 | RCF Facility | 983,541 | \$0.2124 | 7 Jul 03 | 7 Jan 07 |
| 7 Jul 03 | RCF Facility | 1,966,155 | \$0.2125 | 7 Jul 03 | 7 Jan 07 |
| 13 Jul 03 | Employee Option Plan 2001 - cancelled | -75,000 | \$0.3500 | 26 Apr 02 | 26 Apr 07 |
| 26 Nov 03 | RCF Facility | 14,252,357 | \$0.1138 | 26 Nov 03 | 24 May 08 |
| 26 Nov 03 | RCF Facility | 485,953 | \$0.2086 | 26 Nov 03 | 24 May 08 |
| 26 Nov 03 | RCF Facility | 2,386,296 | \$0.2124 | 26 Nov 03 | 24 May 08 |
| 26 Nov 03 | RCF Facility | 257,857 | \$0.2125 | 26 Nov 03 | 24 May 08 |
| 3 Dec 03 | Employee Option Plan 2001 - cancelled | (1,550,000) | \$0.3500 | 26 Apr 02 | 26 Apr 07 |
| 3 Dec 03 | Employee Option Plan 2001 - cancelled | (750,000) | \$0.3500 | 17 Jan 03 | 17 Jan 08 |
| 3 Dec 03 | B Speechly | (500,000) | \$0.4000 | 30 Nov 01 | 31 Dec 04 |
| 29 Feb 04 | Employee Option Plan 2001 - cancelled | (275,000) | \$0.3500 | 26 Apr 02 | 26 Apr 07 |
| 29 Feb 04 | Employee Option Plan 2001 - cancelled | (225,000) | \$0.3500 | 17 Jan 03 | 17 Jan 08 |
| 15 Jun 04 | Employee Option Plan 2001 - adjustment | 50,000 | \$0.3500 | 26 Apr 02 | 26 Apr 07 |
| 30 Jun 04 | Employee Option Plan 2001 - cancelled | (775,000) | \$0.3500 | 26 Apr 02 | 26 Apr 07 |
| 30 Jun 04 | Employee Option Plan 2001 - cancelled | (125,000) | \$0.3500 | 17 Jan 03 | 17 Jan 08 |
| 30 Jun 04 | Closing Balance | 84,840,026 | | | |

Notes to the Financial Statements for the year ended 30 June 2004

| | Consolidated | | Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| 20. ACCUMULATED LOSSES | | | | |
| Accumulated losses at the beginning of the financial period | (91,520) | (58,787) | (96,531) | (68,596) |
| Net profit attributable to members of the Company | (24,315) | (32,733) | (31,929) | (27,935) |
| Accumulated losses at the end of the financial period | (115,835) | (91,520) | (128,460) | (96,531) |

21. OUTSIDE EQUITY INTEREST

Outside equity interest in:

| | | | | |
|--------------------------------------|---------|---------|---|---|
| - contributed equity | 22,160 | 2,403 | - | - |
| - accumulated losses opening balance | (2,403) | (2,151) | - | - |
| - retained loss current period | (913) | (252) | - | - |
| | 18,844 | - | - | - |

The outside equity interest arises from the Company's 54.8% interest in NuStar which reduced from 88.3% during the financial year. Refer to Note 29 for further details.

22. FINANCIAL INSTRUMENTS

(a) Credit Risk Exposures

The credit risk on financial assets of the consolidated entity which have been recognised, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest Rate Risk Exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

| | Fixed interest maturing in: | | | | |
|--------------------------------|-------------------------------------|--------------------------|--------------------------------|-----------------------------------|-----------------|
| | Floating Interest rate \$'000 | 1 year or less \$'000 | Over 1 to 5 years \$'000 | Non-interest bearing \$'000 | Total \$'000 |
| 30 June 2004 | | | | | |
| Financial assets | | | | | |
| Cash | 12,849 | - | - | - | 12,849 |
| Restricted cash | 3,108 | - | - | - | 3,108 |
| Receivables | - | - | - | 1,512 | 1,512 |
| Investments | - | - | - | 188 | 188 |
| | 15,957 | - | - | 1,700 | 17,657 |
| Weighted average interest rate | 4.72% | | | | |

| | 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 liabilities | | | | | |
| Trade and other creditors | - | - | - | (6,691) | (6,691) |
| Lease liability | - | - | - | - | - |
| Other loans | - | (9,832) | (75) | - | (9,907) |
| | - | (9,832) | (75) | (6,691) | (16,598) |
| Weighted average interest rate | | 12.08% | 7.63% | | |
| Net financial assets / (liabilities) | 15,957 | (9,832) | (75) | (4,991) | (1,059) |

30 June 2003

Financial assets

| | | | | | |
|--------------------------------|-------|---|---|-------|--------|
| Cash | 596 | - | - | 1 | 597 |
| Restricted cash | 3,573 | - | - | - | 3,573 |
| Receivables | - | - | - | 3,688 | 3,688 |
| Investments | - | - | - | 4,891 | 4,891 |
| | 4,169 | - | - | 8,580 | 12,749 |
| Weighted average interest rate | 4.6% | | | | |

Financial liabilities

| | | | | | |
|--------------------------------------|-------|----------|---------|----------|----------|
| Trade and other creditors | - | - | - | (10,561) | (10,561) |
| Lease liability | - | (1,242) | (776) | - | (2,018) |
| Other loans | - | (13,133) | (8,833) | - | (21,966) |
| | - | (14,375) | (9,609) | (10,561) | (34,545) |
| Weighted average interest rate | | 9.93% | 11.18% | | |
| Net financial assets / (liabilities) | 4,169 | (14,375) | (9,609) | (1,981) | (21,796) |

(c) Net Fair Value of Financial Assets and Liabilities

(i) On-Balance Sheet

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

(ii) Off-Balance Sheet

For forward exchange and commodity contracts, the net fair value is taken to be the unrealised gain or loss at balance date calculated by reference to the current forward rates for contracts with similar maturity profiles.

The consolidated entity has potential financial liabilities that may arise from certain contingencies disclosed in Note 25. As explained in that note, no material losses are anticipated in respect of any of those contingencies and the net fair value disclosed is the Directors' estimate of amounts which would be payable by the consolidated entity as consideration for the assumption of those contingencies by another party.

Notes to the Financial Statements for the year ended 30 June 2004

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

| | 2004 | | 2003 | |
|--|---------------------------|--------------------------|---------------------------|--------------------------|
| | Carrying Amount \$'000 | Net Fair Value \$'000 | Carrying Amount \$'000 | Net Fair Value \$'000 |
| On balance sheet financial instruments | | | | |
| Financial assets | | | | |
| - Cash and restricted cash | 15,957 | 15,957 | 4,170 | 4,170 |
| - Receivables | 1,512 | 1,512 | 3,688 | 3,688 |
| - Traded investments | 188 | 188 | 4,891 | 4,662 |
| | 17,657 | 17,657 | 12,749 | 12,520 |
| Financial liabilities | | | | |
| - Payables | 10,191 | 10,191 | 10,561 | 10,561 |
| - Lease liability | - | - | 2,018 | 2,018 |
| - Other loans | 6,407 | 6,407 | 21,966 | 21,966 |
| | 16,598 | 16,598 | 34,545 | 34,545 |

23. DIRECTORS AND EXECUTIVE DISCLOSURES

Directors

The following persons were directors of St Barbara Mines Limited during the financial year.

Executive Chairman

S W Miller (Mr Miller was removed as director and chairman on 20 July 2004)

Non-Executive Directors

K A Dundo
G B Speechly (from 1 July 2003 to 28 November 2003)
H G Tuten
M K Wheatley (from 28 November 2003 to 30 June 2004)

Executives (other than directors) with the greatest authority for strategic direction and management

The following persons were the executives with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year..

| Name | Position | Employer |
|------------------|---|-----------------------------------|
| E L Boyd (i) | Company Secretary and Commercial Manager | St Barbara Mines Limited |
| R T Calnan | General Manager, Project & Business Development | St Barbara Mines Limited |
| C W Davis | Manager, Paulsens Project | St Barbara Mines Limited |
| B T Lambert (ii) | General Manager, NuStar | NuStar Mining Corporation Limited |
| G C Miller | Group Exploration Manager | St Barbara Mines Limited |
| P J Richardson | Manager, Meekatharra Gold Operations | St Barbara Mines Limited |
| A D Rule (iii) | CFO & Company Secretary | St Barbara Mines Limited |

(i) Mr Boyd was appointed on 15 December 2003

(ii) Mr Lambert was appointed on 21 January 2004

(iii) Mr Rule terminated his employment as Chief Financial Officer on 30 November 2003 and resigned as Company Secretary on 15 December 2003.

Messrs Calnan, Davis, Miller and Richardson were also specified executives during the year ended 30 June 2003.

Remuneration of directors and executives

Directors pay

Currently, remuneration is based on industry standards and set to attract qualified and experienced directors. The Board takes advice on industry remuneration standards through consultation with external agents. Non-executive directors' fees are determined within an aggregate directors' fee pool limit approved by shareholders, which currently stands at \$215,000. Remuneration of directors is not linked to the Company's performance. All fees paid are inclusive of Board committee fees.

Executive Pay

Executive remuneration is based on industry standards and set to attract qualified and experienced executives. The Board takes advice on industry remuneration standards through consultation with external agents. The executive pay has three components:

- Base pay and benefits
- Short and long term performance incentives through participation in the St Barbara Employee Option plan
- Other remuneration such as superannuation

The incentive component of specified executive's remuneration is linked to the Company's performance.

The Remuneration Committee meets annually to review directors' fees, senior executive salary packages and salary ranges for the organisation

Details of the nature and amount of each element of the emoluments of each director of St Barbara and the executive officers of the Company and of the consolidated entity receiving them are set out in the following tables:

Non-Executive Directors of St Barbara Mines Limited

| | Primary Cash, salary & fees \$ | Post - employment Superannuation \$ | Equity Options issued \$ | Total \$ |
|-------------------------------------|--------------------------------------|---|--------------------------------|-------------|
| K A Dundo ⁽ⁱ⁾ | 100,000 | 9,000 | - | 109,000 |
| H G Tuten ⁽ⁱⁱ⁾ | - | - | - | - |
| M K Wheatley ⁽ⁱⁱⁱ⁾ | 27,135 | 2,446 | - | 29,581 |
| G B Speechly (resigned 28/11/03) | 20,833 | 1,875 | - | 22,708 |

⁽ⁱ⁾ Mr Dundo is also a director of subsidiary company NuStar Mining Corporation Limited and his remuneration includes \$50,000 fees and \$4,500 superannuation recovered from NuStar. Mr Dundo resigned as a director of St Barbara Mines Limited on 18 July 2004.

⁽ⁱⁱ⁾ Mr Tuten has declined to receive directors' fees or other remuneration.

⁽ⁱⁱⁱ⁾ Mr Wheatley was appointed on 28 November 2003.

In accordance with the Company's constitution, Mr Wheatley is due for re-election at the 2004 Annual General Meeting.

There is no agreement with individual non-executive directors specifying a term on engagement.

There were no loans to directors of entities in the consolidated entity during the year to 30 June 2004.

Executive Directors of St Barbara Mines Limited

| | Primary Cash, salary & fees \$ | Non monetary benefits \$ | Post - employment Superannuation \$ | Retirement benefits \$ | Equity Options issued \$ | Total \$ |
|-------------------------------------|--------------------------------------|--------------------------------|---|------------------------------|--------------------------------|-------------|
| S W Miller Executive Chairman | 400,000 | 11,324 | 80,000 | - | - | 491,324 |

Notes to the Financial Statements for the year ended 30 June 2004

Specified executives of St Barbara Mines Limited and group

| Company | Primary | | Post - employment | | Equity | Total |
|---|------------------------|-----------------------------|-------------------|------------------------|-----------------------|---------|
| | Cash, salary & fees | Non monetary benefits | Superannuation | Retirement benefits | Options issued | |
| | \$ | \$ | \$ | \$ | \$ | |
| R T Calnan Gen Mgr - Project & Business Development | 169,000 | 11,446 | 62,600 | - | - | 243,046 |
| P J Richardson Manager - Meekatharra Gold Operations | 150,000 | 10,789 | 15,000 | - | - | 175,789 |
| G C Miller Group Manager - Exploration | 145,000 | 3,320 | 21,750 | - | - | 170,070 |
| C W Davis Manager - Paulsens Project | 142,622 | 9,048 | 21,393 | - | - | 173,063 |
| E L Boyd ⁽ⁱ⁾ Manager - Corporate & Commercial, Company Secretary | 120,698 | 214 | 9,511 | - | - | 130,423 |
| A D Rule ⁽ⁱⁱ⁾ Chief Financial Officer, Coy Secretary | 87,796 | 3320 | 11,875 | 71,250 | - | 174,241 |
| Consolidated | | | | | | |
| B Lambert ⁽ⁱⁱⁱ⁾ General Manager - NuStar Mining Corporation Limited | 88,375 | 713 | 8,838 | - | 8,167 ^(iv) | 97,926 |

⁽ⁱ⁾ Mr Boyd commenced on 15 December 2003

⁽ⁱⁱ⁾ Mr Rule terminated employment as Chief Financial Office on 30 November 2003 and resigned as Company Secretary on 15 December 2003.

⁽ⁱⁱⁱ⁾ Mr Lambert commenced with NuStar Mining Corporation Limited on 21 January 2004, and on 1 May 2004 he entered into a 3 year executive employment contract.

^(iv) On 1 May 2004 NuStar Mining Corporation Limited granted Mr Lambert 5,000,000 options over ordinary NuStar shares, exercisable at a price of \$0.05 each, under the NuStar Employee Option Scheme approved by NuStar shareholders on 12 December 2003. Valuation of these options is based on the Black-Scholes method utilising share price at grant date, interest of 5.75% and volatility of 35%. As the options vest on achievement of certain performance criteria in the future, the value has been attributed over the intervening period and proportioned from grant date to 30 June 2004

Options provided as remuneration

The details and value of options provided to executives are shown above.

Shareholding

Relevant interests in shares of the Company held by directors of the Company and consolidated entity or their director-related entities in the Company:

| Ordinary Shares – fully paid | Balance at start of year | Movements during the year | Balance at end of year |
|--|--------------------------|---------------------------|------------------------|
| Directors | | | |
| S W Miller ⁽¹⁾ | - | - | - |
| G B Speechly | 20,000 | - | 20,000 |
| K A Dundo | 100,000 | - | 100,000 |
| H G Tuten ⁽²⁾ | - | - | - |
| M K Wheatley | - | - | - |
| Connected Persons | | | |
| Strata Mining Corporation Limited ⁽¹⁾ | 32,200,000 | - | 32,200,000 |
| RCF ⁽²⁾ | 18,146,163 | 111,595,854 | 129,742,017 |

⁽¹⁾ Mr S W Miller is a director and shareholder of Strata Mining Corporation Limited which holds a relevant interest in the ordinary share capital of St Barbara.

⁽²⁾ Mr H G Tuten is the Chairman of RCF Management L.L.C., the management company of RCF.

Options

Relevant interests in options of the Company held by directors of the Company and consolidated entity or their director-related entities in the Company:

| Directors | Balance at start of year | Movements during the year | Balance at end of year |
|-----------------------------|--------------------------|---------------------------|------------------------|
| S W Miller | 17,500,000 | - | 17,500,000 |
| G B Speechly | 500,000 | (500,000) | - |
| K A Dundo | - | - | - |
| H G Tuten ⁽¹⁾ | - | - | - |
| M K Wheatley ⁽²⁾ | - | 750,000 | 750,000 |
| Connected Persons | | | |
| RCF ⁽¹⁾ | 11,830,632 | 44,159,394 | 55,990,026 |

⁽¹⁾ Mr Tuten is the Chairman of RCF Management L.L.C., the management company of RCF

⁽²⁾ RCF has agreed with Mr Wheatley to transfer up to 1,000,000 options exercisable at \$0.11 which expire on 31 December 2005. 500,000 were vested when he was appointed as a director, 250,000 vested after 6 months service on the Board and 250,000 after 12 months on the Board. As at 30 June 2004 Mr Wheatley, therefore, has a beneficial interest in 750,000 options registered in the name of RCF

The options granted to RCF were in consideration for facility fees. All other options were granted for no consideration by the Company. There are no voting, conversion or dividend rights related to these options.

Notes to the Financial Statements

for the year ended 30 June 2004

| | Consolidated | | Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| 24. REMUNERATION OF AUDITORS | | | | |
| During the year the auditor of the Company, and its related practices earned the following remuneration: | | | | |
| PricewaterhouseCoopers | | | | |
| Remuneration for audit or review of the financial reports of the Company or any entity in the consolidated entity | 117,786 | 82,000 | 74,486 | 76,000 |
| Remuneration for other services: | | | | |
| - Taxation service and general advice | 29,200 | 11,800 | 17,200 | 11,800 |
| | <u>146,986</u> | <u>93,800</u> | <u>91,686</u> | <u>87,800</u> |

25. CONTINGENT LIABILITIES

Details and estimated maximum amounts of contingent liabilities, for which no provisions are included in the accounts, are as follows:

(a) Guarantees and Undertakings

- (i) The Company has given undertakings to two of its controlled entities that it intends to provide the necessary financial or other support to enable them to meet their obligations as and when they fall due
- (ii) Indemnity to the Company's bankers in respect of guarantees provided by the bankers to the Western Australian Department of Minerals and Energy – see Note 7
- (iii) Security guarantees given to the Western Australian Department of Minerals and Energy

| | | | | |
|--|-------|-------|-------|-------|
| | 3,068 | 3,262 | 2,725 | 3,262 |
| | - | 30 | - | 30 |

(b) Native Title

It is possible that Native Title, as defined in the Native Title Act 1993, may be established over land in which the consolidated entity has an interest. The Company is not currently engaged in any negotiations.

(c) Litigation

(i) Westgold

In late September 2000, a demand was made against the Company by Westgold Resources NL ("Westgold") alleging loss and damages in the sum of \$6,229,921. A Writ of Summons was issued by Westgold against the Company in the Supreme Court of Western Australia in CIV 2427 of 2000 on 20 October 2000.

The alleged claim by Westgold arose from a series of share transactions in the Company shares which took place between May and August 1997 as follows:

- On 12 May 1997, Westgold purchased 10,350,000 St Barbara shares at \$0.72 per share from Mr Woss who was a director of the Company at the time ("Woss Shares"). This share purchase took the total shares owned in the Company by Westgold to 23,898,951 (approximately 13% of the Company equity at the time) at a total cost of \$18.4 million.
- On 9 July 1997, Westgold sold all of its shareholding in the Company (which included the Woss Shares) to Montleigh Investments Pty Ltd, a company associated with Mr Ross Atkins who was a director of the Company at the time. The total sale consideration was \$19.1 million. Approximately \$8.4 million of the sale consideration was due to be paid by 30 June 1998. During 1998, Montleigh Investments Pty Ltd defaulted on payment of the deferred consideration and Westgold recovered \$1.6 million of the deferred consideration.

In these proceedings Westgold has sought to recover the balance of the deferred consideration plus interest from the Company and Mr Woss.

The main components of Westgold's statement of claim against the Company in this Supreme Court Action are as follows:

- An alleged breach of section 1001A(2) of the Corporations Act in that the Company allegedly contravened the ASX Listing Rules by failing to notify the ASX of information alleged to have been known to it on or before 30 April 1997 (being a date prior to Westgold's purchase of the Woss Shares). It is Westgold's contention that certain information, if published, was information that a reasonable person would expect to have a material effect on the price or value of the Company's shares.
- An alleged contravention of the previous section 995(2) of the Corporations Law (being a misleading or deceptive statement made in relation to securities in the legislation prior to the current Corporations Act) which Westgold allege to have occurred by public releases made on or about 30 April 1997. Westgold allege that these public releases represented that, save for certain matters, the Company's operations were proceeding satisfactorily and with record levels of gold production in the ordinary course of operations and that there were no further adverse factors affecting or likely to affect the Company's operations or financial position. Westgold's contention is that this was misleading and deceptive in that, in its contention:
 - the Company's operations were not proceeding satisfactorily and the Company had not overcome and was not overcoming operational and financial difficulties from which it had suffered;
 - there were many adverse factors affecting and likely to affect the Company's operations and financial position;
 - the record production level in the relevant quarter was the result of an abnormal occurrence;
 - the Company was aware of a reason or factor which likely would preclude the establishment of a viable mining operation at certain of the Company's tenements and which likely would require revision of the Company's published gold reserves for those tenements.

All of these allegations are denied by St Barbara and the claim is being robustly defended. St Barbara has joined two the directors who were directors of the Company at the time to the action.

The best case scenario for the Company is to be wholly successful in its defence and thereby have no liability. The maximum possible liability for the Company (without any contribution from former directors, insurers or insurance brokers) would be for the entire loss alleged by Westgold (being approximately \$7.5 million plus interest to the date of judgement calculated at 8%, together with legal costs). The Company intends, as part of its defence, to argue that should it be found liable (which it denies) then certain contribution orders should be made in relation to third parties and that, in addition, the Company is of the view that Westgold must, in any event, apportion any loss it incurred as between the sale of the Woss Share and other St Barbara shares held by Westgold which were sold simultaneously with the Woss Shares. An unsuccessful party will usually also be liable for its own and the other party's legal costs.

The application has been listed for hearing on 3 December 2004. In the meantime, the Company has applied to the Supreme Court to strike out part of Westgold's statement of claim which the Company contends discloses no reasonable course of action against the Company. A hearing date for this application has not yet been fixed.

The Company has incurred legal costs to date in the order of \$720,000. It is possible that the Westgold litigation may not proceed to trial for a further 12 months, in which case, the Company in defending this action may incur further legal costs in the order of \$750,000 to \$1 million, which costs could escalate in the event that costs were awarded against the Company or the trial judge's decision were to be appealed. It should be emphasised that none of the current directors of the Company were directors of the Company at the time that the above share transactions took place.

(ii) **Kingstream**

On 2 July 2002, Kingstream Steel Limited (Subject to Deed of Company Arrangement) commenced proceedings in the Supreme Court of Western Australia against the Company and its 100% owned subsidiary, Zygot Ltd. Kingstream alleges it has a claim against the Company and Zygot Ltd arising from the withdrawal of three mining lease applications ("MLAs"), which applications are alleged to be part of the subject matter of an Option Deed between the Company and Kingstream dated 26 March 1997 as supplemented by a Deed dated 20 January 1998 and a letter dated 29 January 1999 from the Company's lawyers to Kingstream. Kingstream exercised the option in February 1999.

Kingstream alleges in essence that the Company and Zygot Ltd breached the express or implied terms of the Option Deed by causing or allowing the MLAs to be withdrawn.

The proceedings are at an early stage and have been, and will continue to be, defended. However, on the basis of expert advice received the Company considers its potential exposure in relation to this claim to have a value (including costs) of less than \$200,000.

Notes to the Financial Statements for the year ended 30 June 2004

| | Consolidated | | Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| 26. COMMITMENTS FOR EXPENDITURE | | | | |
| (a) Exploration | | | | |
| In order to maintain rights of tenure to mining tenements, the consolidated entity is required to outlay in 2003/04 for tenement rentals and minimum exploration expenditure requirements of the Western Australian Department of Minerals and Energy. This commitment in 2004/05 will continue for future years with the amount dependent upon tenement holdings | 2,669 | 9,361 | 1,762 | 8,114 |
| (b) Hire Purchase Commitments | | | | |
| Analysis of hire purchase commitments: | | | | |
| - Payable not later than one year (refer Note 16) | 188 | 1,133 | 188 | 1,133 |
| - Payable later than one year, not later than five years (refer Note 16) | 75 | 1,528 | 75 | 1,528 |
| | 263 | 2,661 | 263 | 2,661 |
| These commitments relate to plant and equipment and are based on the cost of the vehicles and are payable over a period of up to 48 months. | | | | |
| (c) Finance Lease Commitments | | | | |
| Analysis of finance lease commitments: | | | | |
| Payable not later than one year | - | 1,368 | - | 1,368 |
| Payable later than one year, not later than five years | - | 855 | - | 855 |
| Deduct future charges on finance leases | - | (205) | - | (205) |
| Provide for as a liability | - | 2,018 | - | 2,018 |
| Representing lease liabilities: | | | | |
| Current (refer Note 16) | - | 2,018 | - | 2,018 |
| Analysis of Non-Cancellable Operating Lease Commitments | | 371 | | 371 |
| Payable not later than one year | 239 | - | 239 | - |
| Payable later than one year, not later than two years | 147 | - | 147 | - |
| Payable later than two years, not later than five years | - | - | - | - |
| | 386 | 371 | 386 | 371 |

The non-cancellable operating lease commitments are the net rental payments associated with rental properties

| Consolidated | | Company | |
|--------------|--------------|--------------|--------------|
| 30 June 2004 | 30 June 2003 | 30 June 2004 | 30 June 2003 |
| \$'000 | \$'000 | \$'000 | \$'000 |

27. EMPLOYEES

(a) Employment Benefit Liabilities

Provision for employee benefits and directors' benefits and related on-cost liabilities

| | | | | |
|-------------------------|-----|-------|-----|-------|
| - Current (Note 17) | 751 | 869 | 751 | 869 |
| - Non-current (Note 17) | 78 | 180 | 78 | 180 |
| | 829 | 1,049 | 829 | 1,049 |

| Number 2004 | Number 2003 | Number 2004 | Number 2003 |
|----------------|----------------|----------------|----------------|
|----------------|----------------|----------------|----------------|

(b) Number of Employees

| | | | | |
|---|----|----|----|----|
| Number of employees at financial year end | 41 | 66 | 36 | 66 |
|---|----|----|----|----|

(c) Superannuation

The Company participates in an "accumulation" superannuation plan under which all employees are entitled to lump sum benefits on retirement, disability or death. The Company contributes various percentages of wages and salaries to the plan. The contributions made are legally enforceable. No actuarial assessment of the plan has been made as such assessments are inappropriate to an "accumulation" plan. The assets of the plan are sufficient to satisfy all benefits that have vested under the plan in the event of its termination, or in the event of voluntary or compulsory termination, of the employment of each employee.

(d) Employee Share Option Plan

Shareholders approved an Employee Share Option Plan on 20 October 1995 ("ESOP"). This ESOP entitles management who meet incentive objectives to apply for options to purchase shares in the Company. There is no vesting period for these options and accordingly employees can exercise these options at any time after they have been issued. These options are automatically cancelled when the employee leaves the Company. There are no voting rights and no dividend rights attached to these options. No new options will be issued under this ESOP. No options issued under this plan were exercised during the year ended 30 June 2004. There are no longer any options in existence under this plan.

(e) Employee Option Plan

Shareholders approved an Employee Option Plan on November 2001. There is no vesting period for options issued under this plan and accordingly employees can exercise them at any time after they have been issued. No options were issued under the plan during the year to 30 June 2004. These options are automatically cancelled when the employee leaves the Company. A total of 3,725,000 options previously issued under the plan were cancelled due to employees leaving the Company. There are no voting rights and no dividend rights attached to these options. No options issued under this plan were exercised during the year to 30 June 2004. Details of the options on issue under this plan as at 30 June 2004 are:

| Number of Options | Expiry Date |
|-------------------|-----------------|
| 3,375,000 | 26 April 2007 |
| 475,000 | 17 January 2008 |
| <u>3,850,000</u> | |

Notes to the Financial Statements for the year ended 30 June 2004

28. RELATED PARTIES

(a) Directors and specified executives

Disclosures relating to directors and specified executive are set out in Note 23.

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

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

During the year the Company advanced loans of \$61,733 (2003: \$229,776) to entities in the wholly-owned group. Repayments and advances were received of \$nil (2003: \$99,000) from entities in the wholly-owned group. The Company provided accounting and administrative assistance free of charge to all its wholly-owned subsidiaries.

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

(c) Transactions with non-wholly owned entities in the consolidated entity

The Company provided funding to NuStar, a controlled entity but not wholly owned, for part of the year as follows:

| | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
|--|------------------------|------------------------|
| Balance at beginning of financial year | 16,848 | 4,877 |
| - net funding advanced for exploration and all other activities on normal commercial terms | (1,703) | 2,842 |
| - shares issued in satisfaction of debt | (17,600) | - |
| - administration service fee | 1,398 | - |
| - cost of shares issued by the Company to PKKP for Native Title Agreement | - | 616 |
| - funding advanced for repayment of convertible note | - | 7,372 |
| - interest | 841 | 1,141 |
| | (216) | 16,848 |

The loan was secured by way of a fixed and floating charge over substantially all of the assets and undertakings of NuStar. The loan bears interest at 10% per annum compounded monthly and expires on 1 January 2005 at which time the loan becomes repayable in full. Pursuant to a resolution by NuStar shareholders at the Annual General Meeting held on 12 December 2003, the Company converted \$17.6 million of the amount owing by NuStar to the Company into fully paid ordinary shares in NuStar. Accordingly, 352,000,000 fully paid ordinary shares in NuStar were issued to the Company in full satisfaction of the debt of \$17.6 million owing. Subsequently, the security of the fixed and floating charge over substantially all of the assets and undertakings of NuStar was released in full.

During the year, Bushsun a wholly owned subsidiary of NuStar acquired 15,650,000 shares in Strata Mining Corporation Ltd, a listed entity. Refer Note 14. Mr S W Miller was a director of Strata during the financial year.

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

| | Company | |
|--|------------------------|------------------------|
| | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| Aggregate amounts receivable at balance date from: | | |
| Non-current: | | |
| Controlled entities | - | 16,848 |
| Entities in the wholly-owned group | 2,770 | 2,752 |
| Less provision for doubtful receivables | (1,630) | (1,360) |
| | 1,140 | 18,240 |
| Aggregate amounts payable at balance date to: | | |
| Current: | | |
| Controlled entities | 216 | - |
| Non-current: | | |
| Entities in the wholly-owned group | 11,484 | 11,484 |

(e) **Amounts receivable from Director related entities**

At 30 June 2004, the Company had a receivable of nil (2003: \$1,067,000) owing by Defiance Mining Corporation. Mr S Miller and Mr K Dundo were appointed Directors of Defiance Mining Corporation on 25 June 2003.

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

The aggregate amounts brought to account in respect of the following types of transactions with Directors of entities in the consolidated entities and their Director related entities were:

| Director | Notes | Consolidated and Company | |
|----------------------------------|-------|--------------------------|--------------|
| | | 30 June 2004 | 30 June 2003 |
| | | \$ | \$ |
| S W Miller | | - | - |
| G B Speechly (resigned 28/11/03) | | - | - |
| K A Dundo | (1) | 4,243 | 212,493 |
| H G Tuten | (2) | 8,249,863 | 3,249,142 |
| M K Wheatly (appointed 28/11/03) | | - | - |

(1) Paid to Q Legal for legal services. Mr Dundo is a partner of Q Legal. During prior years Mr Dundo was a partner of Clayton Utz.

(2) Paid to RCF by way of issuance of shares and options as required under the RCF Facility. Mr Tuten is the Chairman of RCF Management LLC the management company of RCF.

29. INVESTMENTS IN CONTROLLED ENTITIES

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

| Name of entity | Class of Shares | Equity holding | | Cost of Company's investment | |
|--|-----------------|----------------|-----------|------------------------------|-----------|
| | | June 2004 | June 2003 | June 2004 | June 2003 |
| | | % | % | \$'000 | \$'000 |
| Australian Eagle Oil Co. NL | Ordinary | 100 | 100 | 179 | 179 |
| St Barbara Pastoral Co. Pty Ltd | Ordinary | 100 | 100 | - | - |
| Capvern Pty Ltd | Ordinary | 100 | 100 | - | - |
| Eagle Group Management Pty Ltd | Ordinary | 100 | 100 | - | - |
| Murchison Gold Pty Ltd | Ordinary | 100 | 100 | - | - |
| Kingkara Pty Ltd | Ordinary | 100 | 100 | - | - |
| Oakjade Pty Ltd | Ordinary | 100 | 100 | - | - |
| Regalkey Holdings Pty Ltd | Ordinary | 100 | 100 | - | - |
| Silkwest Holdings Pty Ltd | Ordinary | 100 | 100 | - | - |
| Sixteenth Ossa Pty Ltd | Ordinary | 100 | 100 | - | - |
| Vafitu Pty Ltd | Ordinary | 100 | 100 | - | - |
| Zygot Ltd | Ordinary | 100 | 100 | - | - |
| NuStar Mining Corporation Limited ⁽¹⁾ | Ordinary | 54.8 | 88.3 | 38,138 | 20,537 |
| Bushsun Pty Ltd * ⁽¹⁾ | Ordinary | 54.8 | 88.3 | - | - |
| | | | | 38,138 | 20,716 |

* 100% subsidiary of NuStar

Each company in the consolidated entity was incorporated in Australia.

(1) The Company's equity position in Nustar reduced from 88.3% to 54.8% after accepting equity of 352 million NuStar shares at \$0.05 cents per share in full satisfaction of the \$17.6 million intercompany loan between the Company and NuStar.

Notes to the Financial Statements for the year ended 30 June 2004

30. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| | Consolidated | | Company | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2004 \$'000 | 30 June 2003 \$'000 | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| Operating loss after income tax | (25,228) | (32,985) | (31,929) | (27,935) |
| Write down FITB | - | 2,965 | - | 2,965 |
| Depreciation and amortisation | 2,726 | 18,391 | 2,721 | 18,347 |
| Mining properties change in accounting policies | - | 9,897 | - | 2,546 |
| Provision for diminution in investments | 312 | - | 12,348 | 4,081 |
| Write down of exploration tenements | 318 | - | 318 | - |
| Provision for diminution of exploration tenements | 5,256 | - | 5,256 | - |
| Loss/ (profit) on sale of property, plant and equipment | 2,462 | (798) | 2,462 | (798) |
| Profit on sale of shares | (93) | - | (93) | - |
| Borrowing expenses paid with shares | 1,707 | 1,015 | 1,707 | 1,015 |
| Convertible note borrowing cost | 739 | 1,640 | 739 | 1,337 |
| Interest on NuStar loan account | - | - | (841) | (1,141) |
| NuStar administration service fee | - | - | (182) | - |
| Provision for non-recovery of subsidiary loan | - | - | 270 | - |
| Issuance of options in lieu facility fees | - | 1,529 | - | 1,529 |
| Changes in assets and liabilities: | | | | |
| - Decrease in trade and other debtors | 2,676 | 969 | 3,314 | 621 |
| - Decrease in inventories | 3,487 | 887 | 3,487 | 887 |
| - Decrease in other assets | 620 | 172 | 620 | 145 |
| - Increase in trade and other creditors, employee entitlements and provisions | (3,624) | (4,236) | (4,460) | (4,338) |
| Net cash inflow from operating activities | (8,642) | (554) | (4,263) | (739) |

Non-Cash Financing and Investing Activities

The following transactions occurred which affected assets and liabilities which are not reflected in the Statements of Cash Flows.

Year ended 30 June 2004

During the half year the following transactions occurred which affected assets and liabilities and did not result in cash flows:

- The issue of 111,595,854 fully paid ordinary shares to RCF in satisfaction of the RCF interest and facility fees and the debt for equity swap approved by shareholders at the Annual General Meeting on 25 November 2003. The value ascribed to this issue is \$8,249,863.
- Pursuant to a resolution by shareholders at the NuStar Mining Corporation Limited (“NuStar”) Annual General Meeting held on 12 December 2003, the Company converted \$17.6 million owing by NuStar to the Company into 352,000,000 fully paid ordinary shares in NuStar.
- Pursuant to a resolution by shareholders at the NuStar Annual General Meeting held on 12 December 2003, Claymore Capital converted \$0.1 million owing by NuStar to Claymore Capital by way of a convertible note into 2,000,000 fully paid ordinary shares in NuStar.
- On 5 December 2003, the Company issued 35 million fully paid ordinary shares at \$0.08 per share for \$2.8 million to partly satisfy the convertible note loan. This resulted in the remaining face value owing being reduced to \$4.4 million.

Year ended 30 June 2003

The issue of 8,734,436 fully paid ordinary shares at various prices ranging from \$0.2263 to \$0.0843 to RCF in satisfaction of the RCF Facility fee and interest. See Note 18.

31. FINANCING FACILITIES

Other than as set out in Note 16(iii) regarding the RCF Facility, neither the Company nor the consolidated entity have access to lines of credit that were unutilised.

32. EARNINGS PER SHARE

| | Consolidated | |
|--|--------------------------------|--------------------------------|
| | 30 June 2004 cents/share | 30 June 2003 cents/share |
| Basic and diluted loss per share | 4.70 | 8.00 |
| | \$'000 | \$'000 |
| Retained loss for the year used in the calculation of basic earnings per share | (24,315) | (32,733) |
| | Number | Number |
| Weighted average number of fully paid ordinary shares on issue during the year used in the calculation of basic earnings per share | 517,843,596 | 409,326,900 |

Notes to the Financial Statements for the year ended 30 June 2004

33. EVENTS OCCURRING AFTER BALANCE DATE

Since 30 June 2004 the following has occurred:

- On 15 July 2004, the Company announced the conversion by Ocean Resources Capital Holdings plc of the face value of its convertible note of \$4.4 million into 55,000,000 ordinary shares at \$0.08.
- On 19 July 2004, the Company announced the resignation of Kevin Dundo as a Director with effect from 18 July 2004.
- On 20 July 2004, a General Meeting of the shareholders of the Company was held and the following resolutions were carried:
 - Mr Eduard Eshuys was elected as a Director;
 - Mr Colin Wise was elected as a Director; and
 - Mr Stephen Miller was removed as a Director.
- On 20 July 2004, the Company issued 42,050,000 fully paid ordinary shares at \$0.04 per share to raise \$1,682,000 for working capital.
- On 20 July 2004, the Company issued 17,480,547 fully paid ordinary shares to Ocean Resource Capital Holdings Limited at \$0.046 per share in satisfaction of interest of \$804,105.
- On 23 July 2004, the Company issued 26,591,453 fully paid shares to Resource Capital Fund II L.P. Holdings Limited at \$0.046 per share to raise \$1,223,207 for working capital.
- On 23 July 2004, the Company announced that Mr Eduard Eshuys was appointed as Managing Director and Mr Colin Wise was appointed as Non-Executive Chairman. The new Board appointed Deloitte to conduct a review of the Company, including the terms of employment of the former Executive Chairman. Key elements of Mr Eshuys' remuneration which have now been agreed between Mr Eshuys and the Company are:
 - Salary inclusive of superannuation of \$300,000 per annum;
 - In connection with his relocation to Perth, provision of a motor vehicle and other allowances for the first six months of employment in total \$24,000 plus attributable FBT, plus a relocation allowance of \$20,000 which is refundable in certain circumstances;
 - Opportunity to earn a bonus of \$250,000 in respect of the 2005 financial year subject to satisfaction of Board approved performance criteria;
 - The contract is of no fixed term and is subject to termination by the Company on twelve months' notice;
 - Mr Eshuys will be granted options to acquire ordinary shares in the Company on the following terms and conditions that require shareholders approval at the forthcoming Annual General Meeting:
 - a) 15,000,000 options exercisable at the weighted average price of the Company's ordinary shares on ASX for the four week period commencing on 20 July 2004, vesting:
 - 5,000,000 on execution of employment contract
 - 5,000,000 on 21 July 2005 subject to Mr Eshuys' continued employment
 - 5,000,000 on 21 July 2006 subject to Mr Eshuys' continued employmentwith all other terms and conditions consistent with the Company's employee share option plan.
 - b) 20,000,000 options exercisable (subject to Mr Eshuys' continued employment) at 15 cents each vesting:
 - 5,000,000 on 14 September 2005
 - 5,000,000 on 14 September 2006
 - 5,000,000 on 14 September 2007
 - 5,000,000 on 14 September 2008with all other terms and conditions consistent with the Company's employee share options plan.
- On 6 August 2004, Resource Capital Fund II L.P. Holdings Limited advanced the Company \$1.2 million for working capital to be converted into shares as part of a future equity placement. The timing and quantum of such a placement have not yet been determined. The advance is interest free and unsecured.
- On 12 August 2004, the Company announced that following the completion of the initial review by Deloitte, agreement was reached with the former Executive Chairman, Mr Stephen Miller, for his employment to end with effect from 4 August 2004. This resulted in a termination payment of \$257,543 inclusive of all statutory entitlements (less applicable taxes). Mr Miller then resigned from the Boards of all wholly owned subsidiaries of the Company and from the Boards of NuStar and its subsidiary.
- On 24 August 2004, NuStar announced that a detailed mining plan had established a Mining Reserve of 1,202,000 tonnes at 10.66g/t - containing 412,100 ounces of gold.

- On 20 September 2004, NuStar announced that an agreement was reached in principle to acquire a royalty over the Paulsens Gold Project and an interest in the Wyloo Joint Venture – both held by the Company.
- On 20 September 2004, the new Board announced that it had completed a review of the financial position and operations of the Company and had decided to divest a substantial part of its shareholding in NuStar with the following four separate but interrelated transactions:
 - (a) an initial sale of 100 million NuStar shares to third parties at not less than \$0.04 per share within seven business days;
 - (b) the sale of the Paulsens 5% royalty owned by the Company to NuStar for not less than \$5.1 million and the sale of the Company's interest in the Pelican Joint Venture (adjacent to Paulsens) to NuStar;
 - (c) the grant of an option to Claymore (as arranger of these transactions) to purchase 100 million NuStar shares at \$0.05 per share at any time up to three months after the initial sale; and
 - (d) a Share Swap of NuStar shares for Company shares on the basis of 1.25 NuStar shares for each Company share. The Company intends to offer a maximum of 240 million NuStar shares and to cancel the Company shares received through the Share Swap by way of a capital reduction. Should more shareholders wish to accept the Share Swap than the number of NuStar shares available, then shareholder acceptances will be scaled back on a pro rata basis.

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

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

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

In addition to the above transactions, the Company has:

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

Other than the matters above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Notes to the Financial Statements

for the year ended 30 June 2004

34. RECONCILIATION OF AUSTRALIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES TO INTERNATIONAL ACCOUNTING STANDARDS

The financial statements are prepared in accordance with Australian Generally Accepted Accounting Principles ("GAAP"), which differs in certain respects from International Financial Reporting Standards ("IFRS"). The approximate effect of applying IFRS for the two years ended 30 June 2004 and 30 June 2003, where IFRS are materially different to GAAP, is set out below.

| | Consolidated | |
|--|------------------------|------------------------|
| | 30 June 2004 \$'000 | 30 June 2003 \$'000 |
| Net (loss) attributable to members of the Company under GAAP | (24,315) | (32,733) |
| Accounting for impairment of assets | (5,621) | (8,571) |
| Net (loss) attributable to outside equity interests | 6,369 | - |
| Net (loss) attributable to members of the Company under IFRS | (23,567) | (41,304) |
| | | |
| Total equity under GAAP | 44,852 | 37,973 |
| Accounting for impairment of assets | (14,192) | (8,571) |
| Accounting for investments in available for sale securities | - | (229) |
| Total equity under IFRS | 30,660 | 29,173 |

Accounting for impairment of assets

Under IAS 36 "Impairment of Assets" the consolidated entity is required to record an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is measured as the higher of the net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction and value in use is the present value of estimated future cash flows expected to arise from continued use and disposal at the end of its useful life. As a result of this treatment the consolidated entity is required to take an after tax write down of \$5.6 million for the year ended 30 June 2004 (2003 \$8.6 million). Impairment of assets attributable to the outside equity interest in the current year is \$2.5 million. Under GAAP, recoverable amount write-downs or impairments are determined using undiscounted cash flows.

Accounting for income taxes

Under IFRS deferred tax balances are calculated based on the difference between the tax base of the asset and the carrying amount of the asset. As a result of this treatment, at 30 June 2004, a deferred tax liability of \$5.3 million (2003: \$7.7 million) would be recognised in relation to the carrying amount of exploration, evaluation and development expenditure acquired in the NuStar acquisition which has no tax base. This would also result in an increase of \$5.3 million (2003: \$7.7 million) in exploration, evaluation and development expenditure acquired. This adjustment has no impact on net profit or net assets of the consolidated entity. Under GAAP deferred tax balances reflect differences arising from the timing of recognition of revenue and expenses for accounting and tax.

Accounting for investments in available for sale securities

Under IAS 39 "Financial Instruments: Recognition and Measurement" the consolidated entity is required to classify investments in securities as, "held for trading" or "available-for-sale". The investments held by the consolidated entity are classified as available-for-sale and carried at fair value with unrealised gains and losses reported in equity and recycled to the Statement of Financial Performance when sold or impaired. Under GAAP investments are carried at cost with a provision recognised for any diminution in value considered to be permanent

Accounting for rehabilitation and restoration costs

Under IFRS rehabilitation and restoration costs incurred during production and after production stops, should be accrued when the liability is incurred. As a result of this treatment no additional provision for rehabilitation would be recognised at 30 June 2004 (2003: \$0).

Net (loss) attributable to outside equity interests

During the year NuStar Mining Corporation Limited ("NuStar") a subsidiary of the Company, raised \$19.8 million by the issue of 420 million shares to outside investors to fund the Paulsens project. Simultaneously, the Company converted its loan of \$17.6 million to NuStar to equity through the receipt of 352 million shares. As a result of this transaction, the Company diluted its interest in NuStar from 88% to 54%. Under IFRS the transfer of value from the outside equity interest to the parent entity interest is \$3.4 million compared to a transfer under GAAP from the parent entity interest to the outside equity interest of \$0.4 million. This transfer of value has no impact on the net assets of the consolidated entity.

Directors' Declaration

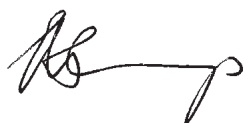
The directors declare that the financial statements and notes set out on pages 27 to 66:

- a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- a) the financial statements and notes are in accordance with 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, on the basis of the matters disclosed in Note 1(a).

This declaration is made in accordance with a resolution of the directors.



E ESHUYS
MANAGING DIRECTOR & CEO

Dated at Perth this 30th day of September 2004



Independent audit report to the members of St Barbara Mines Limited

Audit opinion

In our opinion, the financial report of St Barbara Mines Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of St Barbara Mines Limited and the St Barbara Mines Group (defined below) as at 30 June 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

Accounting principles generally accepted in Australia vary in certain respects from international financial reporting standards. An explanation of the major differences between principles generally accepted in Australia and international financial reporting standards is presented in note 34 to the financial statements. The application of the international financial reporting standards would have affected the determination of consolidated net loss for the year ended 30 June 2004 and consolidated equity as at 30 June 2004 to the extent summarised in note 34.

This opinion must be read in conjunction with the rest of our audit report.

Inherent uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of matters described in note 1(a), there is significant uncertainty whether St Barbara Mines Limited will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both St Barbara Mines Limited (the company) and the St Barbara Mines Group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

PricewaterhouseCoopers
ABN 52 780 433 757

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Australia
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Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



David J Smith
Partner

Perth
30 September 2004

Statement of Shareholders as at 30 September 2004

| Twenty Largest Shareholders | | Shares Held | % of Total |
|------------------------------------|--|--------------------|-------------------|
| 1 | Resource Capital Fund II LP | 156,333,470 | 21.86 |
| 2 | Westpac Custodian Nominees Limited | 115,188,499 | 16.11 |
| 3 | Ocean Resources Capital Holdings PLC | 72,480,547 | 10.13 |
| 4 | HSBC Custody Nominees (Australia) Limited | 38,539,738 | 5.39 |
| 5 | Strata Mining Corporation Limited | 32,200,000 | 4.50 |
| 6 | Toto Capital Inc | 14,000,000 | 1.96 |
| 7 | ANZ Nominees Limited | 9,308,407 | 1.30 |
| 8 | Spartan Nominees Pty Ltd | 6,250,000 | 0.87 |
| 9 | National Nominees Limited | 6,222,598 | 0.87 |
| 10 | Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation | 5,600,000 | 0.78 |
| 11 | Tricom Nominees Pty Limited | 4,233,334 | 0.59 |
| 12 | Kizogo Pty Ltd | 4,166,666 | 0.58 |
| 13 | Beck Corporation Pty Ltd | 2,800,000 | 0.39 |
| 14 | Miroma Investment Inc | 2,737,449 | 0.38 |
| 15 | Citicorp Nominees Pty Limited | 2,564,559 | 0.36 |
| 16 | Wuudee Australia Pty Ltd | 2,450,000 | 0.34 |
| 17 | Mr Yoshihito Koguchi | 2,100,000 | 0.29 |
| 18 | Balcony Developments Pty Ltd | 1,948,400 | 0.27 |
| 19 | Ofex Register | 1,832,671 | 0.26 |
| 20 | Mr Ritesh Mistry | 1,720,000 | 0.24 |
| | | 482,676,338 | 67.47 |

| Substantial Shareholders | | Shares Held | % of Total |
|---------------------------------|--|--------------------|-------------------|
| Resource Capital Fund II LP | | 156,333,470 | 21.86 |
| Ocean Resource Capital Holdings | | 107,480,507 | 16.02 |
| RAB Europe Fund Ltd | | 45,000,000 | 6.29 |
| St James' Place Recovery Trust | | 40,400,000 | 5.65 |

Distribution of Shareholdings

| Number Held | Number of Shareholders | Number of Shares |
|--------------------|------------------------|------------------|
| 1 - 1,000 | 3,604 | 2,169,586 |
| 1,001 - 5,000 | 3,675 | 9,389,845 |
| 5,001 - 10,000 | 1,198 | 9,908,560 |
| 10,001 - 100,000 | 2,168 | 80,932,287 |
| 100,001 - and over | 433 | 612,870,879 |
| | 11,078 | 715,271,157 |

The number of shareholders holding less than a marketable parcel was 8,558.

Directors' Interests

As at the date of the Directors' Report, the director or indirect interest of each Director of the Company in the issued securities (excluding options previously disclosed in this Report) of the Company, or in a related corporation, was as follows:

| | Shares Held |
|--------------------------|-------------|
| SJC Wise | Nil |
| E Eshuys | Nil |
| H G Tuten ⁽¹⁾ | Nil |
| M K Wheatley | Nil |

Connected Persons:

RCF ⁽¹⁾ 156,333,470

⁽¹⁾ Mr Tuten is the Chairman of RCF Management L.L.C., the management company of RCF

Shareholder Information

As at 30 September 2004

Share price

The Company shares were listed on the Australian Stock Exchange during the 2003-2004 year.

The closing share price on 30 June 2004 and on 30 September 2004 was 4.6 cents and 4.3 cents respectively.

Announcements

The Company makes both statutory announcements (Activities or quarterly reports, financial reports, Appendix 5B cash statements, changes to Directors' interests) and specific announcements under Continuous Disclosure provisions on a timely basis. Significant announcements made during the year and subsequently include:

| Date | Announcement |
|------------|---|
| 30/09/2004 | Financial Report for 30 June 2004 |
| 27/09/2004 | Presentation to Toyko Investors |
| 20/08/2004 | NuStar share divestment and Paulsens royalty sale |
| 12/08/2004 | Settlement with former Executive Chairman |
| 30/07/2004 | June 2004 quarterly report |
| 23/07/2004 | Placement of shares (8.6 million at 4.3 cents) General meeting of shareholders /Board changes |
| 19/07/2004 | Director resignation |
| 15/07/2004 | Convertible note exercise (Ocean Trust) |
| 26/05/2004 | Requisition of general meeting of shareholders |
| 30/04/2004 | March 2004 quarterly report |
| 26/03/2004 | Polelle JV exploration progress |
| 17/03/2004 | Settlement (sale) of Demag H4555 |
| 09/03/2004 | Sale of 30% interest in Burnakura project |
| 05/03/2004 | Meekatharra joint venture |
| 27/02/2004 | Interim financial statement |
| 30/01/2004 | December 2004 quarterly report |
| 27/01/2004 | Paddys Flat – Prohibition resource increase |
| 02/12/2003 | Substantial shareholder notice (RCF) |
| 01/12/2003 | Appointment of non-executive director |
| 28/11/2003 | Debt for equity swap |
| 25/11/2003 | AGM Chairman's address |
| 24/11/2003 | Meekatharra joint ventures |
| 31/10/2003 | September 2003 quarterly report Paulsens project commitment |
| 30/09/2003 | Preliminary final financial results |
| 26/09/2003 | Placement of shares (12 million at 8 cents) |
| 22/09/2003 | Debt retirement and board expansion |
| 31/07/2003 | June 2003 quarterly report |
| 10/07/2003 | Substantial shareholder notice (RCF) Convertible loan restructure |
| 07/07/2003 | Sale of Dioro investment |

Investor Relations

This Annual report has been produced with the objective of ensuring that shareholders are informed on Company strategy and performance sufficient to make or retain an investment in the Company.

Announcements, statutory reports and the latest information on the Company's projects are available on the St Barbara Mines Limited website: www.stbarbara.com.au

Financial institutions, stockbrokers and other non-shareholder entities requiring copies of this report, activities reports and other corporate information should contact the Directors at:

St Barbara Mines Limited
Level 2, 16 Ord Street
West Perth 6005
Western Australia
Australia

Phone +61 8 9476 5555
Facsimile +61 8 9476 5500

Shareholder Enquiries

Enquiries relating to shareholding, tax file number and notification of change of address should be directed to:

Advanced Share Registry Services
Level 7, 200 Adelaide Terrace
Perth WA 6000

Telephone: + 61 8 9221 7288
Facsimile: + 61 8 9221 7869

or

Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 7NH, England
Telephone: +44 870 703 6088
Facsimile: +44 870 703 6142

Board of Directors

Colin Wise (Non-executive Chairman)
Eduard Eshuys (Managing Director and CEO)
Hank Tuten (Non-executive Director)
Mark Wheatley (Non-executive Director)

Company Secretary

Lee Boyd

Registered Office

Level 2
16 Ord Street
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Web-site: www.stbarbara.com.au

Share Registry

Australia:

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Level 7, 200 Adelaide Terrace
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Telephone: +61 8 9221 7288
Facsimile: +61 8 9221 7869

United Kingdom:

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ADR Depositary

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Bankers

Commonwealth Bank of Australia
150 St George's Terrace
Perth, Western Australia, 6000

Auditors

PricewaterhouseCoopers
QV1 Building
250 St Georges Terrace
Perth WA 6000

Solicitors

Frechills
250 St George's Terrace
Perth, Western Australia, 6000

Stock Exchange Listing

Shares in St Barbara Mines Limited are quoted on both the Australian Stock Exchange Limited and the AIM (London Stock Exchange).

Ticker symbol: SBM

