



annual report 2005



St Barbara Mines Limited



St Barbara Mines Limited

St Barbara's key features are:

- Extensive Landbank
- Mineral Resources of 9.3Moz
- Strong Shareholder Support
- Quality Management & Staff
- Financial Strength
- Robust Operations

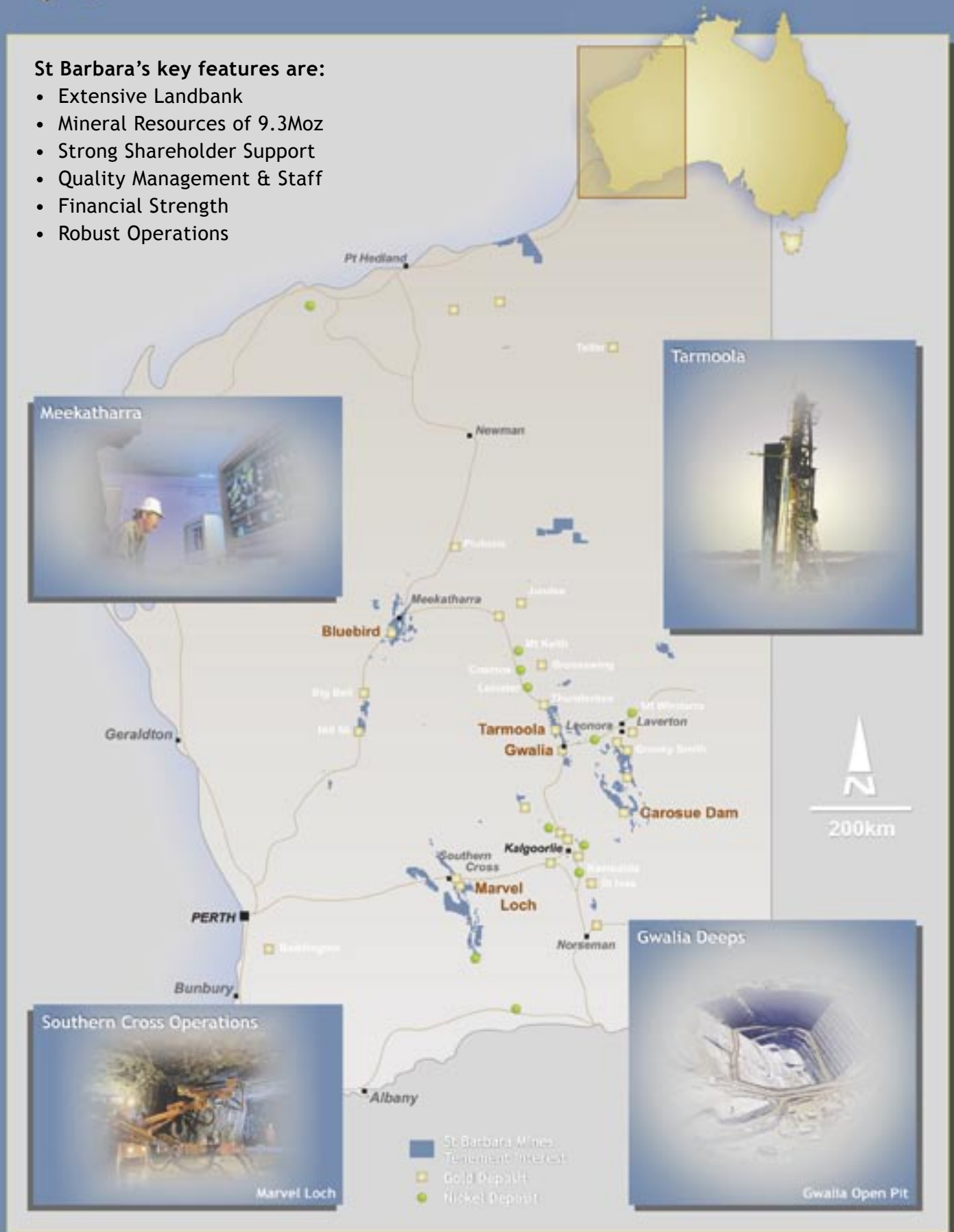


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Chairman's Review



During the year ending 30 June 2005 the Company was rescued from a difficult financial situation and re-emerged as a significant exploration and gold production company, with a sound basis for optimism about the immediate and long-term future.

There were a number of significant achievements during the year:

- An increase in gold sales from 40,000oz in 2003/04, to 84,000 ounces;
- A substantial increase in announced Company resources from 825,000 ounces to 9.4 million ounces;
- A substantial increase in the Company's landholdings from 2,000km² to 15,000km²;
- A dramatic improvement in the cash at bank position from \$1,000 plus \$3 million cash backing of bonds at the end of the 2004 year, to \$16 million cash at bank plus \$12 million cash backing of bonds, one year later;
- Exploration expenditure of \$3.9 million at Meekatharra and at various locations previously owned by the Sons of Gwalia Ltd Gold Division; and
- An increase in the share price from 4.8 cents on 30 June 2004 to 10.5 cents on 30 June 2005.

These outstanding achievements are attributable to four key factors:

- The financial support of the Company's largest shareholder, Resource Capital Fund II LP following the shareholders voting to appoint Ed Eshuys and myself as directors of the Company on 20 July 2004;
- The hard work and technical and commercial prowess of Ed Eshuys and his management team;
- The Company's purchase in March 2005 of the assets owned by Sons of Gwalia Ltd's Gold Division; and

- An increase in the gold price and more favourable operating conditions at the purchased mines. This allowed the Company to generate higher than forecast gold production at a lower than forecast cost.

The future is exciting for the 'new' St Barbara, with drilling to extend the existing mineral inventory base underway at four locations - Marvel Loch, Tarmoola, Gwalia Deeps and Meekatharra, the construction of a new open pit mine at Hercules near Marvel Loch, and exploration drilling for nickel at Sullivans, near Leonora, due to commence next month.

The Company is well placed to continue its growth in the coming years.

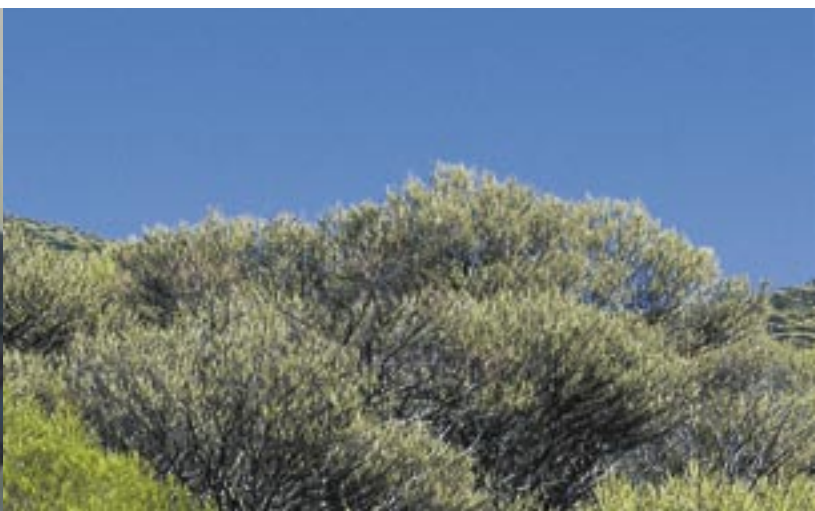
The collective experience and expertise at Board level and within the management team will be drawn on to seek to continue to increase shareholder wealth, especially as other opportunities (such as the acquisition of the Sons of Gwalia gold assets) become available.

All at St Barbara look forward to the future with excitement and anticipation.

Colin Wise
Chairman

30 September 2005

*Left to right | Richard Knight, Mark Wheatley (sitting),
Ross Kennedy, Colin Wise, Hank Tuten, Eduard Eshuys*





The prime objective at the beginning of the year was to re-establish the integrity and credibility of the Company with its shareholders, investors, employees, consultants, contractors and suppliers and the communities in which the Company was operating.

For this to occur it became clear that to start the process the Company's 54.8% interest in NuStar Mining Corporation Limited ("NuStar") and the 5% royalty over NuStar's Paulsens gold deposits needed to be sold to refinance the Company and to repay the substantial debts which had been previously incurred. The sale of our interest in NuStar occurred in several stages during November 2004 through to February 2005 and resulted in the Company becoming debt free.

During this time, the gold division of Sons of Gwalia Ltd (Administrators Appointed) ("SGWGD") became available for possible acquisition. In conjunction with expert consultants a comprehensive and disciplined assessment of the assets was undertaken. The thoroughness of our preparation together with the financial support of our largest shareholder Resource Capital Funds enabled the Company to bid for the assets and successfully close the purchase in a short period of time.

The purchase of the SGWGD assets enabled the Company to re-establish itself as a gold producer and provides the opportunity to explore the well endowed Southern Cross, Leonora and South Laverton areas of the Eastern Goldfields, which will complement the Company's long held home base at Meekatharra in the Murchison Goldfields.

Cashflow from the operations at Southern Cross, the sale of surplus assets and the planned divestment of non-core land holdings will support the planned corporate and exploration activities of the Company in the year ahead.

Having established a more secure financial footing for the Company, the job ahead is to:

- Extend the mine life of the Southern Cross operations beyond June 2006 and further explore the region;
- Seek to establish a mining inventory at Tarmoola and Gwalia Deeps with a production commencement target of the December 2007 quarter;
- Evaluate the possibility of recommencing gold production at Meekatharra;
- Explore for nickel sulphides particularly in the Leonora and Southern Cross regions; and
- Identify and seek to acquire other opportunities.

Gold production at Southern Cross for the 2006 year is on target to achieve our forecast of 150,000 ounces at a cash cost of \$415 per ounce.

Drilling of the high grade shoots at Marvel Loch to define a mining inventory down to a vertical depth of 500 metres below the surface is underway. Earlier drilling has already established that the gold mineralisation extends to that depth but is of insufficient density to outline reserves. To extend the mine life beyond June 2006 it is the conceptual aim to define at least 1.2 million tonnes at 6.0g/t for 230,000 ounces from within the current indicated and inferred resources of 4.2 million tonnes at 4.5g/t of gold for 610,000 ounces. The reported drilling results since July 2005 suggest this is achievable. Production to support the Marvel Loch underground operation is projected to be sourced from open pit mining at Hercules. The Company will also seek to reopen Yilgarn Star and pursue discoveries on the basis of the comprehensive geological reassessment that has been completed of the Southern Cross region.

The famous Sons of Gwalia Mine which has historically produced 5 million ounces to a depth of 1,075 metres and the well known Tarmoola Mine (35 kilometres to the north



Managing Director's Review

continued



Eduard Eshuys
Managing Director & CEO

Ross Kennedy
Company Secretary & CFO

George Viska
GM Commercial

of Leonora) which has historically produced 1.7 million ounces still have resources of 7.2 million tonnes at 7.3g/t of gold for 1.7 million ounces and 56 million tonnes at 1.2g/t of gold for 2.2 million ounces respectively for a total of 3.9 million ounces. This is a substantial inventory particularly with a rising gold price.

Deep drilling is underway at Gwalia to complete the drilling conducted during 2001 to seek to improve the status of the current inferred resources to indicated resources.

The geology of the Gwalia gold mineralisation is well understood as a result of the mining activity extending over more than 100 years.

The Gwalia Deeps inferred resources starts at a vertical depth of 1,100 metres; thus a number of other issues need to be addressed in conjunction with drilling. A Task Force of geologists, resource modelers, mining engineers, metallurgists and geotechnical specialists has been established to address the geology, geotechnical, mine planning, hydrology, metallurgy and project development schedules with the objective of defining a mining inventory by March 2006, and a timetable for future development.

Gwalia Deeps ore in concept would be processed at Tarmoola and be blended with the ore from Tarmoola.

Modern day mining at Tarmoola produced 1.7 million ounces. There is now an opportunity for the first time in nearly a decade, unhindered by production pressures and mining equipment movements, to take an overall view of the gold mineralisation which incurs in granite and ultramafics at Tarmoola.

The gold mineralisation is located at a major structural position adjacent to the Keith Kilkenny lineament which

is a very favourable location in the Eastern Goldfields for hosting substantial mineral deposits.

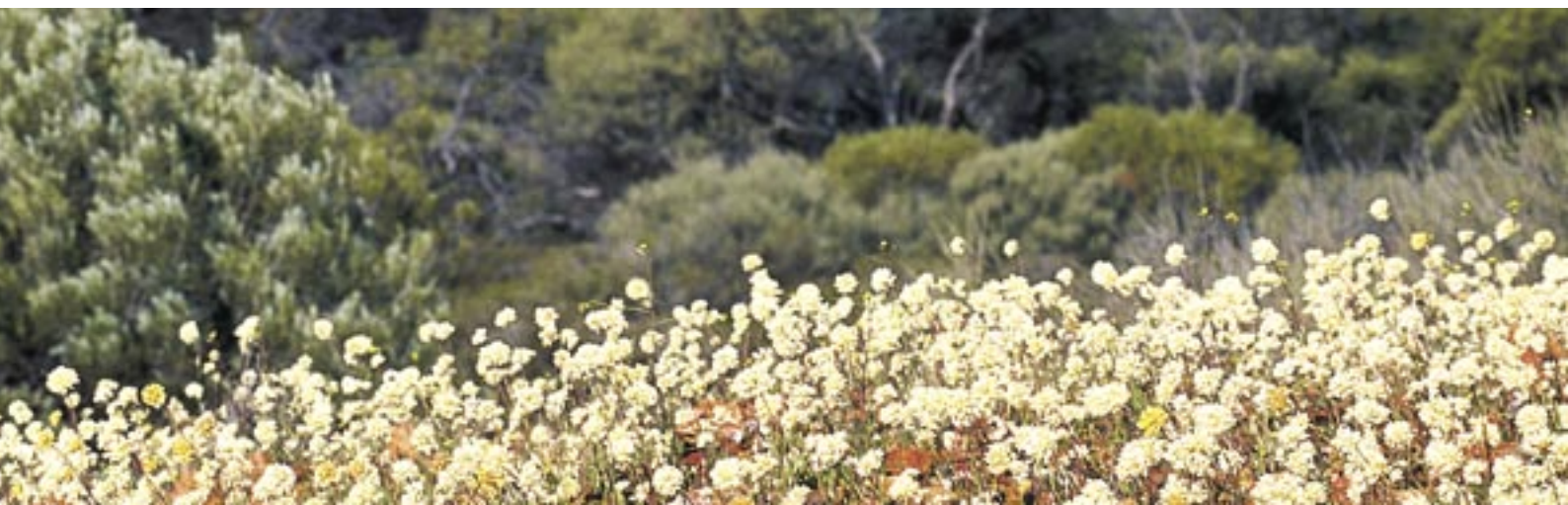
The Tarmoola pit is two kilometres long and up to 250 metres deep. A wall failure on the northern side of the pit in February 2004 ultimately led to the closure of Tarmoola in September 2004. The current drilling is focusing on the western and south western flanks of the pit where, previous drilling had intersected gold associated with fractures in the granite.

Resource modeling is now in progress and for the first time is treating the entire Tarmoola deposit as one, rather than as previously consisting of nine separate components.

The Company's objective is to develop a mining inventory from Gwalia Deeps and Tarmoola that can produce initially 250,000 ounces per year commencing in the December 2007 quarter, and 400,000 ounces per year when fully developed by 2011.

A separate Task Force to assess all aspects of the potential future redevelopment of Tarmoola has also been established with the objective of outlining a reserve by March 2006 and a timetable for future development.

Successful drilling at Paddys Flat and Reedys, Meekatharra has resulted in an increase in 100% owned resources to 1.6 million ounces. A co-venturer has also increased resources at Bluebird and Surprise to 690,000 ounces subsequent to the end of the financial year, for a total Company resource at Meekatharra in excess of 2.2 million ounces. The possibility of recommencing gold production from the Company's 100% owned Paddys Flat and Reedys and/or in conjunction with Mercator Gold plc at Bluebird and Surprise is to be further investigated. Importantly, the Company retains full ownership of the Bluebird processing plant and





Martin Reed
GM Operations

Julia Martin
Snr Mining Engineer/
Analyst

Graham Miller
GM Special Projects
& JVs

Peter Thompson
GM Exploration

associated infrastructure such as power station, tailings dams, water, housing in Meekatharra and fly-in fly-out accommodation.

Nickel sulphide exploration has commenced on the Company's tenements particularly in the Leonora region which is transected by the geologically important Keith Kilkenny lineament, which has Cosmos, Leinster, and Mt Keith nickel sulphide mineralisation structurally associated with it to the north.

The Sullivans nickel sulphide target has an ultramafic unit with a strike length of some 8 kilometres.

The ultramafic occurs under a shallow cover of alluvium, and thus remains to be explored effectively. New ground electromagnetic geophysical techniques which have the ability to identify massive nickel sulphides at depth below the cover, have identified a number of anomalies at the basal contact of the ultramafic unit. This is a typical target location for massive nickel sulphides. The Company's other nickel sulphide opportunities will be progressively advanced to the drilling stage during the year ahead.

The strategy is to build up a portfolio of nickel sulphide properties either through conceptual research, joint venturing into properties held by others or acquisition. Worldwide demand for nickel remains strong, which is reflected in the current prices, and supports the strategy of an aggressive approach to nickel sulphide exploration.

To conduct the mining and exploration activities effectively requires the maintenance of a safe workplace. Management and staff have achieved an acceptable safety performance and regime, which will continue to require a dedicated and disciplined effort to maintain and improve on current performance levels.

Rehabilitation of the mined areas and management of the environmental performance bonds is a major focus of the Company's efforts. Environmental matters and issues have been elevated in importance as part of future planning.

In conclusion, to continue to re-establish and maintain the credibility and integrity of the Company will require a dedicated effort. A three year plan encompassing the SGWGD acquisition is being followed while a longer term five year plan is being developed. The Company is striving to achieve exploration success at Southern Cross, Leonora and Meekatharra, and its planned strategy is to redevelop those assets to enable the conceptual production of 400,000-500,000 profitable ounces of gold per annum commencing in the December 2007 quarter, with production of 150,000-200,000 profitable ounces of gold per annum in the intervening period.

Nickel sulphide exploration will also be an important part of the future of the Company. Achievement of these objectives will require the further recruitment of senior management, graduates and skilled people to complement the existing dynamic and energetic management team.

Finally, I acknowledge the significant contribution made by senior management and all staff, with a special mention for the former SGWGD employees who have embraced our enthusiasm and energy, and for the collective efforts in helping to turn around the Company's performance and create improved value for our shareholders.

Eduard Eshuys
Managing Director & CEO
30 September 2005





The Company has a strong and enviable land position; a solid foundation upon which to pursue the Company's strategic focus on exploring for gold, nickel and copper in Australia.

The Company will also remain vigilant to identify and take advantage of new exploration opportunities, as they arise.

Continuing the search with an expanded data base and healthy budget

The exploration budget for the 2005/06 year is \$10 million.

The exploration work will be carried out using the Company's vastly expanded database which has been successfully merged with the datasets acquired from the Sons of Gwalia Ltd Gold Division .

The database now includes data from an additional 464,818 drill holes.

Southern Cross - attractive exploration targets

Drilling of the high grade shoots at Marvel Loch to define a mining inventory down to a vertical depth of 500 metres below the surface is underway. Earlier drilling has already established that the gold mineralisation extends to that depth but is of insufficient density to outline reserves.

Exploration drilling has also commenced with diamond drilling programs at Yilgarn Star, located 14km south of the Marvel Loch plant.

The resource at Yilgarn Star is currently 1.5Mt @ 4.1g/t containing 190,000oz, with a decline established to a depth of 465 metres.

A regional gold targeting exercise was recently initiated, to identify and prioritise targets in the Southern Cross land package, and to review the effectiveness of previous

exploration. This study has already identified some attractive exploration targets which are being investigated.

Leonora - towards realising its potential

A specialist Company taskforce has been established to consider, coordinate and manage the Leonora region's planned development into production.

Tarmoola

An evaluation of the Tarmoola resource (currently 56Mt @ 1.2g/t, containing 2.2Moz) geological model and geophysical data has demonstrated potential for expansion of this mineral inventory with the conceptual prospect of developing an enlarged Tarmoola mining operation.

A program of extensional drilling commenced in July 2005. The targets being drilled are largely hosted by the Tarmoola granite, to the west of the current pit, where mineralisation is known to exist, and on the interpreted granite greenstone contacts to the north and south of the current pit area.

Gwalia Deeps

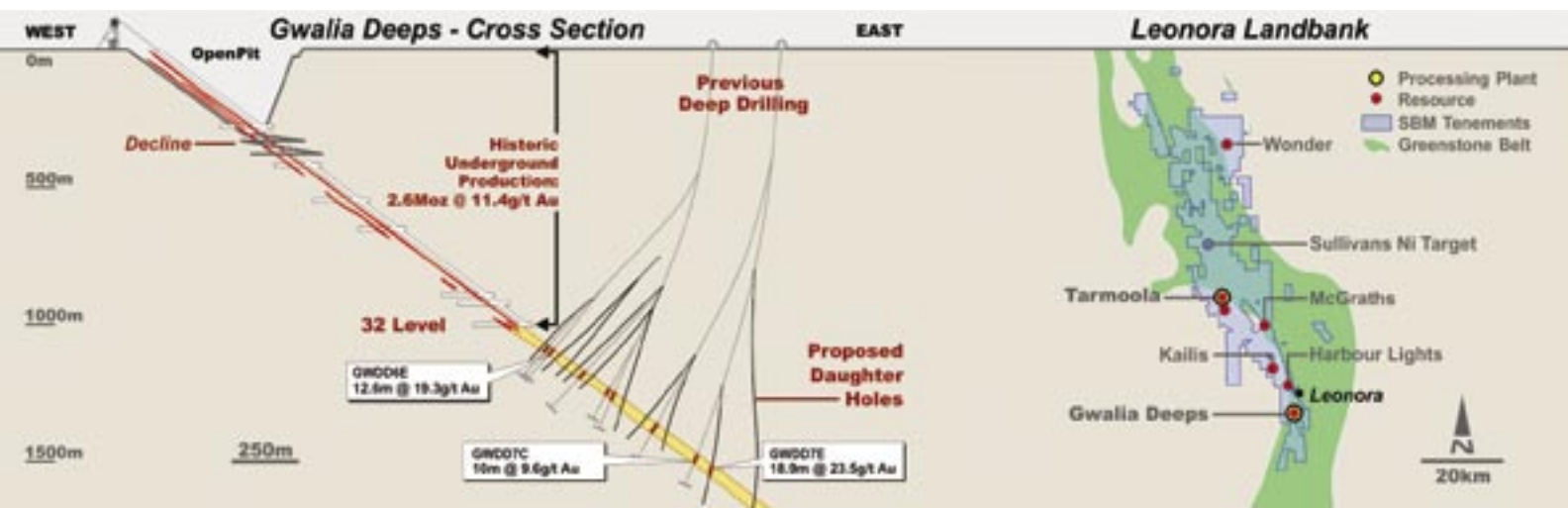
Drilling commenced in July 2005, in a program designed to allow the calculation of Indicated Resources.

The Gwalia Deeps Inferred Resource (currently 4.3Mt @ 8.2g/t for 1.1Moz) lies between 1,100 metres and 1,680 metres below the surface.

This resource is intact, with down-dip continuity of the lodes mined historically by shaft and decline.

Rather than re-drill from the surface, infill drilling is being undertaken with 'daughter' holes from existing deep holes.

The 'daughter' holes commence at depths from 1,100 metres to 1,400 metres.



This drilling requires careful navigational control and planning but is expected to save considerable time and cost.

South Laverton

An assessment of gold exploration potential in the South Laverton project has highlighted some high ranking targets, some of which lie below salt lake sediments.

Several multi-million-ounce gold deposits, including Granny Smith, Sunrise Dam and Wallaby are located on the northern margin of this region, and potential for similar deposits may exist within this project area.

These targets are being assessed and prioritised, in the same manner as at Southern Cross.

Meekatharra - more progress and promising results

Gold exploration recommenced at Meekatharra in late 2004, with the intention of re-establishing a mining inventory and production through the Bluebird plant.

Exploration drilling was focused on the Vivian-Consols (porphyry-hosted mineralisation), Prohibition (banded iron-hosted mineralisation) and the Mickey Doolan (ultramafic host) at Paddy's Flat, and on the Rand deposit at Reedys, all of which are 100% owned by St Barbara. Drilling was undertaken with up to three rigs; using deep RC and diamond drill rigs.

Many significant intersections were reported from this drilling, indicating extensions to known mineralisation, and leading to substantial increases in resources.

Significantly, during May 2005, a broad, new zone of mineralisation, adjacent to and east of the Vivian Consols deposit was intersected.

This zone is described as the 'Mudlode' and is interpreted to be an extension of the historically mined Mudlode, which occurs 300 metres further north.

The host for this mineralisation is strong quartz carbonate-pyrite alteration in high magnesium ultramafic.

No resource estimate has to date been made for the Mudlode.

Construction of a geological model and further drilling are currently in progress.

Current work at Meekatharra includes ongoing delineation drilling, as well as mining and metallurgical studies, to consider the proposed recommencement of processing at Bluebird.

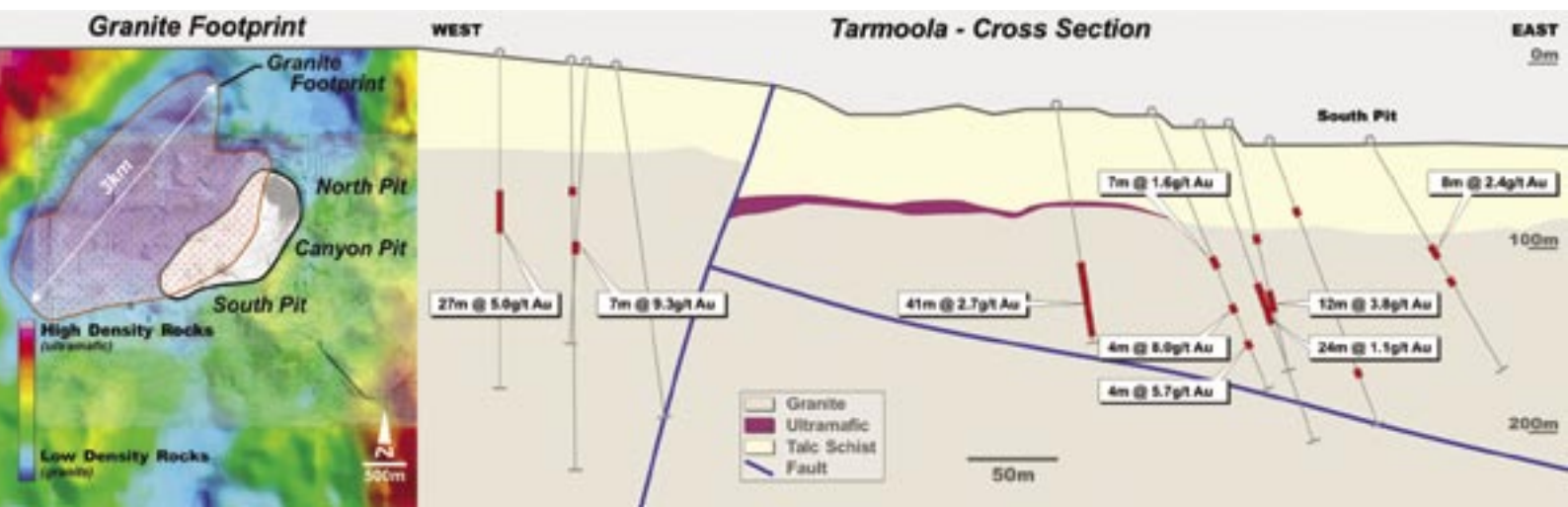
Wallal, Pardoo, Scorpion & Scorpayle - more nickel targets

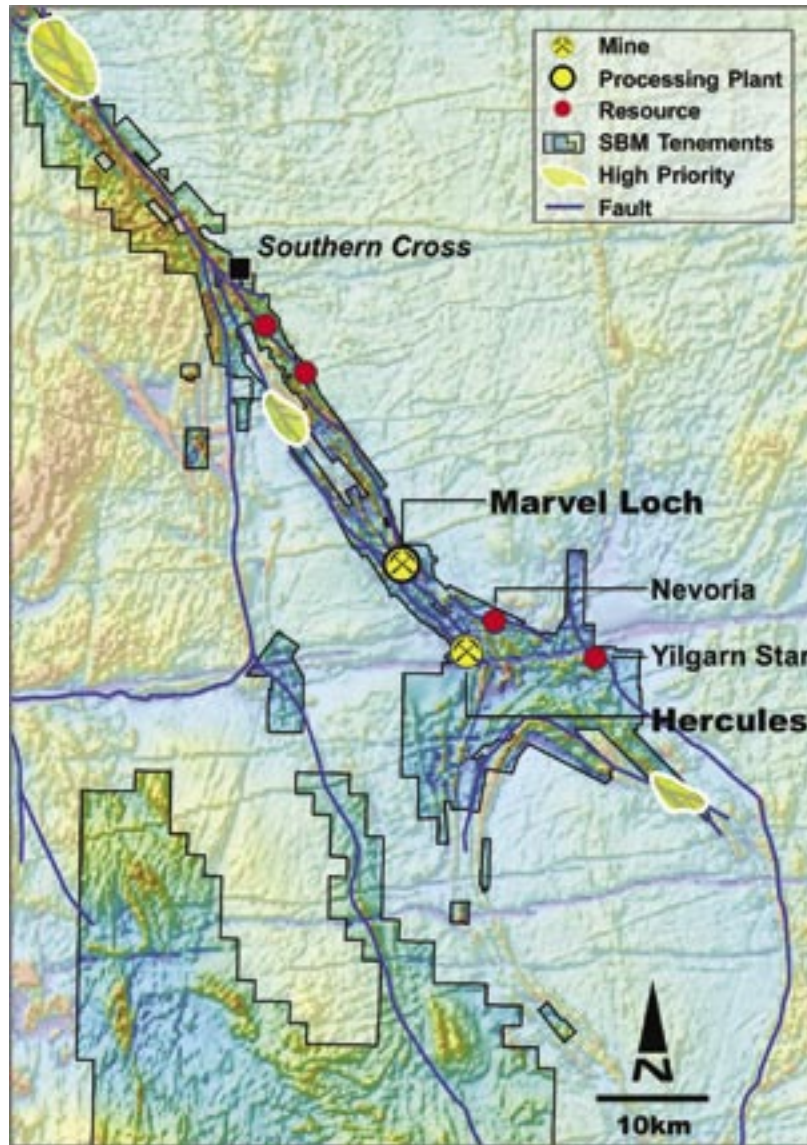
The company's nickel exploration strategy has seen the completion during the year of a comprehensive review of nickel sulphide exploration opportunities in Western Australia, on both Company and non-Company-held ground.

This has led to the application for tenements over high-priority nickel targets on the Wallal, Pardoo, Scorpion and Scorpayle projects, totalling 3,900km² in area. These licence applications are pending.

With the SGWGD acquisition, several strategic exploration targets became part of the Company's portfolio and are now being developed as exploration projects.

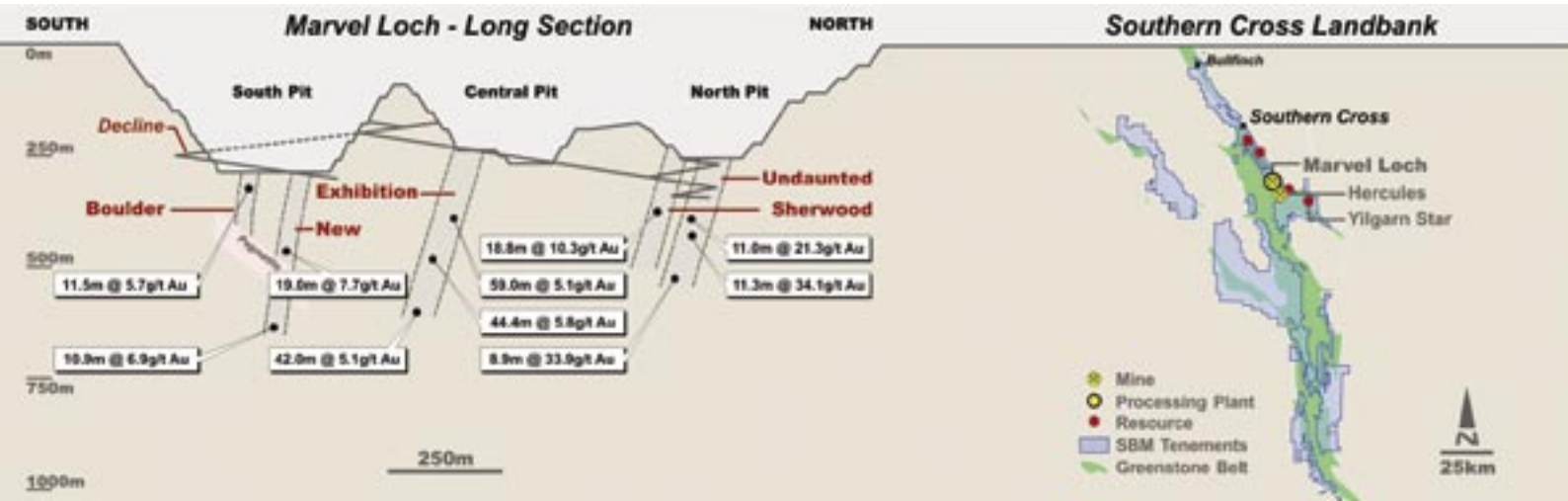
The first of these to be explored is Sullivans, 35km north of Leonora, where significant copper and nickel enrichment are present in a poorly drilled ultramafic unit over an 8km strike length.





Southern Cross Tenement Map

Opposite page | Drillrigs at Gwalia Deeps





Reserves & Resources Statement



RESERVES AT END OF JUNE 2005

Region/Project	Proved			Probable			Total		
	Tonnes	Au g/t	oz	Tonnes	Au g/t	oz	Tonnes	Au g/t	oz
Southern Cross									
Marvel Loch				240,000	6.0	46,000	240,000	6.0	46,000
Yilgarn Star									
Hercules				2,300,000	2.4	180,000	2,300,000	2.4	180,000
Other	170,000	1.8	10,000	520,000	1.3	22,000	690,000	1.4	32,000
Total Southern Cross	170,000	1.8	10,000	3,100,000	2.5	250,000	3,200,000	2.5	260,000
Leonora									
Gwalia									
Tarmoola									
Other									
Total Leonora									
South Laverton									
All Projects									
Total South Laverton									
Meekatharra (100% SBM)									
Paddys Flat									
Reedys									
Other									
Total Meekatharra (100% SBM)									
Meekatharra (JV)									
Annean JV (SBM reducing to 30%)									
Polelle JV (SBM reducing to 35%)									
Total Meekatharra (JV)									
Total All Regions	170,000	1.8	10,000	3,100,000	2.5	250,000	3,200,000	2.5	260,000

1. The information in this report that relates to Ore Reserves is based on information compiled by Mr Martin Reed (Marvel Loch), Mr Allan Blair (Hercules) and Mr Michael Bartholomaeus (Southern Cross - Other) who are Members or Fellows of the Australasian Institute of Mining and Metallurgy. Mr Reed and Mr Bartholomaeus are full-time employees of the company. Mr Blair is employed by Snowden Mining Industry Consultants. Mr Reed, Mr Blair and Mr Bartholomaeus have sufficient experience relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as Competent Persons as defined by the 2004 edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'.

Mr Reed, Mr Blair and Mr Bartholomaeus consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

2. All data is rounded to two significant figures 3. Discrepancies in summations will occur due to rounding

Discussing Southern Cross Exploration Strategies

Left to right | Peter Thompson, David Broomfield, Eduard Eshuys, Michael Bartholomaeus, Alex Hatch



RESOURCES AT END OF JUNE 2005 (INCLUDES RESERVES)

Region / Project	Measured			Indicated			Inferred			Total		
	Tonnes	Au g/t	oz	Tonnes	Au g/t	oz	Tonnes	Au g/t	oz	Tonnes	Au g/t	oz
Southern Cross												
Marvel Loch	61,000	4.0	7,900	3,000,000	3.8	370,000	1,100,000	6.5	230,000	4,200,000	4.5	610,000
Yilgarn Star				390,000	6.6	82,000	1,100,000	3.2	110,000	1,500,000	3.9	190,000
Hercules				3,600,000	2.2	250,000				3,600,000	2.2	250,000
Other	330,000	1.4	15,000	3,000,000	3.1	300,000	4,700,000	3.0	450,000	7,700,000	3.0	750,000
Total Southern Cross	390,000	1.8	23,000	10,000,000	3.1	1,000,000	6,900,000	3.5	790,000	17,000,000	3.3	1,800,000
Leonora												
Gwalia							7,200,000	7.3	1,700,000	7,200,000	7.3	1,700,000
Tarmoola	10,000,000	1.5	460,000	10,000,000	1.2	400,000	36,000,000	1.2	1,400,000	56,000,000	1.2	2,200,000
Other	1,000,000	1.2	40,000	7,000,000	1.5	330,000	6,800,000	1.8	400,000	13,800,000	2.0	900,000
Total Leonora	11,000,000	1.4	500,000	17,000,000	1.3	730,000	50,000,000	2.2	3,500,000	77,000,000	1.9	4,800,000
South Laverton												
All Projects	170,000	0.9	4,900	5,900,000	2.4	450,000	3,600,000	2.6	300,000	9,800,000	2.4	760,000
Total South Laverton	170,000	0.9	4,900	5,900,000	2.4	450,000	3,600,000	2.6	300,000	9,800,000	2.4	760,000
Meekatharra (100% SBM)												
Paddys Flat				17,000,000	1.7	920,000	9,300,000	1.4	420,000	26,000,000	1.6	1,300,000
Reedys	840,000	2.7	74,000	800,000	5.5	140,000	310,000	5.0	49,000	1,900,000	4.2	260,000
Other				150,000	3.1	15,000				150,000	3.1	15,000
Total Meekatharra (100% SBM)	840,000	2.7	74,000	18,000,000	1.9	1,100,000	9,600,000	1.5	470,000	28,000,000	1.8	1,600,000
Meekatharra (JV)												
Annean JV (SBM reducing to 30%)				4,800,000	1.5	230,000	1,600,000	2.2	110,000	6,300,000	1.7	350,000
Polelle JV (SBM reducing to 35%)							1,100,000	1.6	58,000	1,100,000	1.6	58,000
Total Meekatharra (JV)				4,800,000	1.5	230,000	2,700,000	2.0	170,000	7,400,000	1.7	410,000
Total All Regions	12,000,000	1.5	600,000	55,000,000	2.0	3,500,000	72,000,000	2.3	5,300,000	140,000,000	2.1	9,400,000

1. The information in this report that relates to Mineral Resources is based on information compiled by Mr Michael Bartholomaeus, Ms Jane Bateman, Mr Graham Miller and Mr Peter Thompson who are Members or Fellows of the Australasian Institute of Mining and Metallurgy. Mr Bartholomaeus, Ms Bateman, Mr Miller and Mr Thompson are full-time employees of the company. Mr Bartholomaeus, Ms Bateman, Mr Miller and Mr Thompson have sufficient experience relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as Competent Persons as defined by the 2004 edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'.

Mr Bartholomaeus, Ms Bateman, Mr Miller and Mr Thompson consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

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The Company's strategic focus is build on its core production strengths and to introduce innovative and sustainable improvements to achieve measurable lifts in performance.

Sons of Gwalia Ltd Gold Division (SGWGD)

St Barbara's purchase of SGWGD included two operating mines, one at Southern Cross and the other at South Laverton.

The Company took over management of the SGWGD operations on 28 March 2005.

Gold sales for 2005 were 83,646ozs at a cash cost of \$341/oz. The forecast at the time of the purchase of SGWGD was for production of 82,000ozs at a cash cost of \$415/oz.

The improved performance of the operations was due to achieving higher grades than were predicted, successful cost-reduction measures implemented by the Company, and improved mining productivity at both Marvel Loch and Safari Bore.

Operational Health and Safety

The Company's strong focus on health and safety saw a uniformly high performance level achieved.

The specific results are detailed in the Health, Safety and Environmental Review.

Southern Cross Operations

The Southern Cross Operations are centred at Marvel Loch (30km south of the town of Southern Cross).

Prior to purchase by St Barbara, gold production had been derived from open pits at Marvel Loch and Cornishman and underground mining at Golden Pig and Marvel Loch.

Mining at Cornishman and Golden Pig was concluded during the year.

In the Marvel Loch Open Pit, a change to the mine plan in the last quarter resulted in a higher grade tonnage being extracted and mining was completed in August 2005. There are no plans to extend the life of this pit.

Two underground areas located at the northern end of the deposit were mined in the Marvel Loch underground mine in the Sherwood and Undaunted lodes.

Both Sherwood and Undaunted are being drilled for extensions which are planned to be mined commencing in the March 2006 quarter.

Development of a further stoping area at New Lode commenced towards the end of the financial year and stope production will commence in the December 2005 quarter.

Extension drilling is also underway for this lode and it is anticipated that additional production stoping will be carried out in the second half of 2006.



A new open pit is being developed at Hercules, which is located 12km south of the Marvel Loch Processing Plant, with activity commencing in August 2005.

The first stage of this pit comprises 1.1Mt at a grade of 2.1g/t for 74,000oz within the previously announced probable reserve of 180,000 ounces of gold for the whole pit.

It is planned that further development of this pit would extend operations at Southern Cross to the end of 2007 and this will be evaluated once production commences at Hercules.

The processing plant located at Marvel Loch, treated a total of 2,525,451 tonnes derived from the operating mines and stockpiled ore for the period of which 663,365 tonnes, at a grade of 2.94g/t, was processed.

Attributable gold production shipped from Southern Cross Operations during the June quarter was 53,719oz.

Forecast gold production from Southern Cross for 2006 is 150,000oz at a cash cost of \$415/oz.

South Laverton Operations

Processing was completed at Carosue Dam during the last quarter of 2005, with the plant now on care and maintenance, as scheduled.

Mining operations in the June quarter were concentrated at the Safari Bore Pit which is located 70km north of the Carosue Dam plant.

A dry-hired mining fleet, managed by the Company, was used to mine the pit in the last quarter and it achieved better than expected productivities and costs.

Details of 2005 Production

		Southern Cross	Carosue Dam	Total
Open Pit	t	287,356	256,848	544,204
Grade	g/t	2.25	3.84	3.00
Underground	t	116,944	-	116,944
Grade	g/t	7.02	-	7.02
Stockpiles Processed	t	259,065	56,750	315,815
Grade	g/t	1.32	0.77	1.22
Ore Milled	t	663,365	313,598	976,963
Grade	g/t	2.94	3.28	3.05
Recovery	%	92	96	93
Gold Shipped	oz	53,719	29,528	83,247
Cash Cost	\$/oz	336	349	341

In addition to gold shipped from operations of 83,247oz, 399oz was generated from other site clean-ups.

Care and maintenance activities are being continued at Meekatharra, Gwalia, Tarmoola and Carosue Dam.

Single-person operated Jumbo at Marvel Loch Underground



Tarmoola overall plan





St Barbara appreciates the important connection between financial performance and the safety and welfare of its workforce. The Company is committed to achieving high standards and continuous improvement with respect to health, safety and environment in the work place.

Health and safety

The Company recognises its obligation to provide safe work places for employees, contractors and the community and is committed to the principle that all occupational injuries and illness are preventable.

Encouraging results

There are clear and encouraging indications that the commitment to achieving health and safety excellence is reflected in reduced injuries.

At the end of the year, Southern Cross operations had completed 370 days without any time being lost to injury and Carosue Dam, 276 days.

The rolling 12-month Lost Time Injury Frequency Rate for the two operations was 0.7, compared with the 2003/04 WA Gold Industry Rate of 4.3.

During the quarter there were five medically treated, on-site injuries resulting in a Medical Treatment Injury Frequency Rate of 20 for this period.

Most importantly, there were no disabling injuries in the quarter and the operations achieved a rolling Disabling Injury Frequency Rate of 3.5, compared with the 2003/04 WA Gold Industry rate of 12.1.

A shared responsibility for workforce health and safety

The Company recognises that imposing welfare initiatives developed in isolation is not ideal.

The approach taken has been to provide all employees and contractors with the opportunity to contribute to the development and implementation of safety and welfare programs and individual initiatives.

Daily on-site meetings are held to facilitate this process.

Environmental management for generations to come

St Barbara is committed to conducting its activities in a socially responsibly manner that is designed to protect the natural environment in which we operate and the local communities with whom we interact.

The Company also recognises that the application of thoughtful and innovative solutions to rehabilitation programs can result in sustainable environments as well as commercial benefits for shareholders through the cost effective reduction of security bonds required by the Western Australian Government.



Sons of Gwalia acquired sites

As part of the Company's acquisition of the Sons of Gwalia Ltd Gold Division, a complete evaluation of the related rehabilitation programs has been carried out.

Detailed plans are now being developed and will be progressively implemented over the coming year.

Examples of environmental programs already in place include:

- The progressive rehabilitation of newly mined areas, particularly those likely to be inactive for some time.
- A renewed focus on site-waste management, especially with regard to the careful and safe disposal of hydrocarbon products.
- Improved workforce education to empower individual employees to be better able to ensure their own safety.

Significant progress was made during the year at the Carosue Dam site where several pits and disturbed areas have been rehabilitated.

As part of the closure plan for this site, further work will be carried out and completed.

To reduce the disturbance of the land surface at various sites, rock waste has been disposed of in the existing pits.

Southern Cross

At Southern Cross, rehabilitation trials have commenced at an historic legacy site.

The trial involves employing a new technique designed specifically to benefit sites with a topsoil deficiency.

The Hercules Site

The waste rock from a new pit being mined at Hercules will be used to cap a nearby old tailings dam and secure it properly for the future.

The Company's commitment to environmental management is reflected in the appointment of a full time environmental officer, to work with our environmental advisers and site based staff.





Focus on positive cash flow generation

The focus throughout the year has been on restructuring business activities through divestment and acquisitions to generate positive cash flows. During the first half of the year, the key events were the sell down of NuStar Mining Corporation Limited ("NuStar") shares and the sale of the Paulsen's Royalty to NuStar for \$5.1M. During the second half of the year, gold operations acquired at the end of the March 2005 quarter contributed strongly to operating cashflows and profitability. The cash position of the chief entity improved significantly to \$16.2M as at 30 June 2005, with a further \$11.8M cash backing for environmental performance bonds.

Financial performance

The net loss for the year of \$6.7M represents a substantial improvement from the net loss reported in the year ended 30 June 2004 of \$24.3M.

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

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

Earnings before interest, tax, depreciation, amortisation and write downs improved significantly to \$6.2M loss (2004: \$11.6M loss).

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

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

Cash Flows

Cash at the end of the year for the chief entity was \$16.2M cash at bank plus \$11.8M cash backing of environmental performance bonds. This compares favourably with a cash balance for the chief entity, excluding NuStar which was deconsolidated during the year, as at 30 June 2004 of \$1,000 plus \$3M cash backing of bonds. During the first half of the financial year the Company raised \$4.1M for working capital.



Key sources of cash flow included:	\$'M
● Capital raisings	4.1
● Proceeds from the sale of NuStar shares to 30 June 2005	9.7
● Sale of Paulsen's royalty	5.1
● Proceeds from borrowing (RCF convertible loan)	7.0
● Net operating cash flows from the acquired gold operation (SGWGD) during the June 2005 quarter	17.4

Financial Position

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

	\$'000
Loss for the year	(6,697)
Capital reduction (share swap)	(8,514)
Capital raising	4,072
Debt to equity conversions	5,204
Net impact of deconsolidating NuStar	(18,844)
Total movement in shareholders' equity	<u>(24,779)</u>

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

Subsequent Events

- Sale of Shares
 - On 27 July 2005, the Company sold its remaining shares in NuStar (6.4%) and Sedimentary (5.5%) for a combined total of \$6.0M and net profit on sale of \$100,000.
- Capital Management
 - On 26 July 2005, the Company announced:
 - An on-market buy-back of up to 10% of its capital over the next 12 months in accordance with ASX guidelines; and
 - Sale of unmarketable parcels of shares, unless holders of unmarketable parcels of shares notify the Company in writing of their intention to hold their shares, by 5pm WST 23 September 2005.
 - A total of 3.2M shares were bought back on-market to 30 September 2005 and 6.2M shares held by holders of unmarketable parcels have been sold on their behalf.





Corporate governance is the process 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 sustainable value (particularly through the exercise of integrity at all levels, entrepreneurship, innovation, development and exploration) and provide accountability and control systems commensurate with the risks involved.

The ASX Corporate Governance Council, in March 2003, published Principles of Good Corporate Governance and Best Practice Recommendations. These principles are summarised as follows:

Fundamental to any corporate governance structure is establishing the roles of management and the Board (Principle 1), with a balance of skills, experience and independence on the Board appropriate to the nature and extent of company operations (Principle 2). There is a basic need for integrity among those who can influence a company's strategy and financial performance, together with responsible and ethical decision-making (Principle 3).

Meeting the information needs of a modern investment community is also paramount in terms of accountability and attracting capital. Presenting a company's financial and non-financial position requires processes that safeguard, both internally and externally, the integrity of company reporting (Principle 4), and provide a timely and balanced picture of all material matters (Principle 5). The rights of company shareholders need to be clearly recognised and upheld (Principle 6).

Every business decision has an element of uncertainty and carries a risk that can be managed through effective oversight and internal control (Principle 7). Keeping pace with the modern risks of business and other aspects of governance requires formal mechanisms that encourage enhanced board and management effectiveness (Principle 8).

Rewards are also needed to attract the skills required to achieve the performance expected by shareholders (Principle 9). The impact of company actions and decisions is increasingly diverse and good governance recognises the legitimate interest of all stakeholders (Principle 10).

Each principle is of equal importance.

St Barbara is committed to these principles. Key elements of the Company's corporate governance principles in place at the date of this report include:

Structure and Operation of the Board

The Company has a five member Board, four of whom are non-executive directors. A majority of the directors are also independent.

The role of the Board is to provide strategic guidance to the Company, effective oversight of management and a sound base for a culture of good corporate governance within the Company.

The Board has adopted a formal Board Charter which sets out the principles under which the Board operates.

The following Board committees are operative:

- Audit Committee; and
- Remuneration Committee.



Each of these committees has an independent non-executive director as chairperson, as well as a Board approved charter.

None of the directors has a trading relationship with the Company nor 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 an officer of major shareholder Resource Capital Funds II LP, and the principal financier, Resource Capital Funds III LP and abstains from voting on any Board matters relating to either of these entities.

Risk

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. In respect of safeguarding Company assets, and risk more generally, the management is charged with the responsibility of identifying and managing operational, financial and corporate risks with regular reports to the Board.

To assist the Board in managing the integrity of financial reporting, an Audit Committee has been established.

The primary role of the Audit Committee is to monitor and review, on behalf of the Board, the effectiveness of the financial control environment in the St Barbara Mines Limited group in the areas of operational and balance sheet risk and financial reporting. For the first part of the 2005 financial year this function was performed by the entire Board.

The role of the Audit Committee function has recently been extended to include a review of Company procedures for reviewing and independently verifying resources and reserves.

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. The external auditor is required to attend the Annual General Meeting and be available to respond to specific questions from shareholders.

Disclosure of Information

St Barbara has obligations under the Corporations Act, and ASX and AIM Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of St Barbara's securities and to correct any material mistake or misinformation in the market.

The Company has adopted a Continuous Disclosure Policy to provide a disciplined framework for complying with these requirements.

Ethics

The Board Charter provides that, in performing its role, the Board should act at all times:

- in recognition of its overriding responsibility to act honestly, fairly and in accordance with the law in serving the interests of the Company, its shareholders, employees, and other stakeholders
- with integrity and objectivity and consistently with the ethical, professional and other standards set out in the Company's corporate governance policies.

Heritage Listed Gwalia State Hotel now owned by the Company





Dealing in Company shares by directors, officers and employees is governed by a Dealings in Securities Policy. Except for a closed period imposed by AIM Listing Rules where no trading in company securities is allowed by Directors, Officers and Employees from balance date until the release of full year results, and from 31 December until the release of the half year results, this policy allows for a 30 day trading window following significant public announcements, provided the company is not in possession of undisclosed potentially price sensitive information.

Company policies on Occupational Health and Safety and Environment acknowledge the Company's fundamental commitment to providing a safe workplace, and the Company's and employee responsibilities to the environment and local communities with whom we interact.

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.

Remuneration

The Board has established a Remuneration Committee, and adopted a Remuneration Policy, key principles of which are:

- Remuneration is linked to the creation of value for shareholders;
- Remuneration will reward financial and non-financial performance;
- Remuneration will reflect the market in which the Company operates; and
- Remuneration will recognise the contribution of individuals and teams.

Details of remuneration of Directors, the Managing Director and CEO, and senior executives are disclosed in the Directors' Report.

Key elements of remuneration for senior executive employees comprise:

- Base salary;
- Total possible remuneration at risk, subject to meeting prescribed key performance indicators; and
- Equity participation through executive and employee options.

Evolving Practices

The Company recognises that corporate governance practices will continue to evolve as the Company continues to grow and develop.

Opposite page | Bill Rose, Peter Thompson, Ian O'Grady, Jane Bateman and Martin Reed at Leonora discussing Tarmoola drilling strategy





Directors Report



Colin Wise
Chairman

Eduard Eshuys
Managing Director & CEO

Hank Tuten
Non Executive Director

This financial report covers both St Barbara Mines Limited as an individual entity and the consolidated entity consisting of St Barbara Mines Limited and the entities it controlled at the end of, or during the financial year ended 30 June 2005.

Directors present their report on the consolidated entity consisting of St Barbara Mines Limited ("St Barbara") and the entities it controlled at the end of, or during, the year ended 30 June 2005.

Directors

The following persons were directors of St Barbara during the whole of the financial year and up to the date of this report:

H G Tuten

M K Wheatley

S J C Wise and E Eshuys were appointed directors on 20 July 2004 and continue in office at the date of this report.

R Knight was appointed a director on 25 May 2005 and continues in office at the date of this report.

S W Miller was a director from the beginning of the financial year until removed as chairman and director on 20 July 2004.

K A Dundo was a director from the beginning of the financial year until his resignation on 18 July 2004.

Principal activities

During the year the principal activities of the consolidated entity consisted of gold production, gold and mineral exploration, pastoral activities and investments.

The only significant changes in the nature of the activities of the consolidated entity during the year were the sale of the majority of the Company's equity interest in a listed subsidiary, NuStar Mining Corporation Limited ("NuStar"), the acquisition of the Gold Division of Sons of Gwalia Ltd (Administrators Appointed) as of 28 March 2005 and the sale of cattle and sub-letting of Murchison pastoral lease interests to a third party, on 4 November 2004.

Dividends

There were no dividends paid to members during the financial year.

Review of operations

The Company's strategic focus is build on its core production strengths and to introduce innovative and sustainable improvements to achieve measurable lifts in performance.

Sons of Gwalia Ltd Gold Division (SGWGD)

St Barbara's purchase of SGWGD included two operating mines, one at Southern Cross and the other at South Laverton.

The Company took over management of the SGWGD operations on 28 March 2005.

Gold sales for 2005 were 83,646oz at a cash cost of \$341/oz. The forecast at the time of the purchase of SGWGD was for production of 82,000oz at a cash cost of \$415/oz.

The improved performance of the operations was due to achieving higher grades than were predicted, successful cost-reduction measures implemented by the Company, and improved mining productivity at both Marvel Loch and Safari Bore.

Operational Health and Safety

The Company's strong focus on health and safety saw a uniformly high performance level achieved.

The specific results are detailed in the Health, Safety and Environment Report.

Southern Cross Operations

The Southern Cross Operations are centred at Marvel Loch (30km south of the town of Southern Cross).

Prior to purchase by St Barbara, gold production had been derived from open pits at Marvel Loch and Cornishman and underground mining at Golden Pig and Marvel Loch.

Mining at Cornishman and Golden Pig was concluded during the year.

In the Marvel Loch Open Pit, a change to the mine plan in the last quarter resulted in a higher grade tonnage being extracted and mining was completed in August 2005. There are no plans to extend the life of this pit.

Two underground mining areas located at the northern end of the deposit were mined in the Marvel Loch underground mine in the Sherwood and Undaunted lodes.

Both Sherwood and Undaunted are being drilled for extensions which are planned to be mined commencing in the March 2006 quarter.

Development of a further stoping area at New Lode commenced towards the end of the financial year and stope production will commence in the December 2005 quarter.



Mark Wheatley
Non Executive Director

Richard Knight
Non Executive Director

Ross Kennedy
CFO & Company
Secretary



Extension drilling is also underway for this lode and it is anticipated that additional production stoping will be carried out in the second half of 2006.

A new open pit is being developed at Hercules, which is located 12km south of the Marvel Loch Processing Plant, with activity commencing in August 2005.

The first stage of this pit comprises 1.1Mt at a grade of 2.1g/t for 74,000oz within the previously announced probable reserve of 180,000 ounces of gold for the whole pit.

It is planned that further development of this pit would extend operations at Southern Cross to the end of 2007 and this will be evaluated once production commences at Hercules.

The processing plant located at Marvel Loch, treated a total of 2,525,451 tonnes derived from the operating mines and stockpiled ore for the period of which 663,365 tonnes, at a grade of 2.94g/t, was processed.

Attributable gold production shipped from Southern Cross Operations during the June quarter was 53,719oz.

Forecast gold production from Southern Cross for 2006 is 150,000oz at cash cost of \$415/oz.

South Laverton Operations

Processing was completed at Carosue Dam during the last quarter of 2005, with the plant now on care and maintenance, as scheduled.

Mining operations in the June quarter were concentrated at the Safari Bore Pit which is located 70km north of the Carosue Dam plant.

A dry-hired mining fleet, managed by the Company, was used to mine the pit in the last quarter and it achieved better than expected productivities and costs.

Details of 2005 Production

		Southern Cross	Carosue Dam	Total
Open Pit	t	287,356	256,848	544,204
Grade	g/t	2.25	3.84	3.00
Underground	t	116,944	-	116,944
Grade	g/t	7.02	-	7.02
Stockpiles Processed	t	259,065	56,750	315,815
Grade	g/t	1.32	0.77	1.22
Ore Milled	t	663,365	313,598	976,963
Grade	g/t	2.94	3.28	3.05
Recovery	%	92	96	93
Gold Shipped	ozs	53,719	29,528	83,247
Cash Cost	\$/oz	336	349	341

In addition to gold shipped from operations of 83,247oz, 399oz was generated from other site clean-ups.

Care and maintenance activities are being continued at Meekatharra, Gwalia, Tarmoola and Carosue Dam.

Directors Report

continued

Consolidated revenues and results

Consolidated revenues and results are summarised as follows:

	2005	2004
	\$'000	\$'000
Gold	46,553	21,972
Share investments	13,675	5,063
Proceeds on sale of royalty, property, plant and equipment	6,662	3,486
Other	611	1,911
	<u>67,501</u>	<u>32,432</u>
Loss from ordinary activities before related income tax expense	(6,697)	(25,228)
Income tax expense	-	-
Loss from ordinary activities after related income tax expense	(6,697)	(25,228)
Less: Net loss attributable to outside equity interest	-	913
Net loss attributable to members of St Barbara	<u>(6,697)</u>	<u>(24,315)</u>

a) Changes in Substantial Shareholdings

NuStar Mining Corporation Limited

Shares held as at:	30 June 2004	542,719,338	54.8%
	30 June 2005	63,325,359	6.4%

On 30 September 2004, the Company sold 100M shares at 4¢ each in NuStar and as a consequence deconsolidated its investment for accounting purposes as from that date.

Also on 30 September 2004, the Company granted an option to Claymore Capital Pty Ltd and its nominees to purchase up to 100M NuStar shares at 5¢ each. The option agreement expired on 16 May 2005, and resulted in the sale of 36,674,700 NuStar shares.

On 17 January 2005, the Company completed a share swap buy-back whereby 212,864,971 NuStar shares were provided as consideration for buying back 170,291,977 St Barbara shares. The issued capital of St Barbara reduced from 736,825,329 fully paid ordinary shares to 566,533,352 fully paid ordinary shares.

On 28 January 2005, the Company accepted an offer for 69,354,367 NuStar shares from Sedimentary Holdings Limited ("Sedimentary") and as a result received 15,412,082 Sedimentary shares representing 5.5% of the issued capital of that company. The shareholding in Sedimentary was sold on 27 July 2005.

As a result of the transactions in NuStar shares described above and further on-market share sales, the Company's investment in NuStar reduced from 54.8% as at 30 June 2004 to 6.4% as at 30 June 2005 and nil as at 27 July 2005.

b) Changes in Operations

Divestment of NuStar

The Company's investment in NuStar was deconsolidated as from 30 September 2004 following the sale of 100M shares as described above.

Divestment of Paulsens Royalty

On 29 November 2004, shareholders approved the sale of the Company's Paulsen's royalty to NuStar for \$5,100,000.

Termination of Reedys Joint Venture

On 9 December 2004, by mutual agreement, Elara Mining Limited ("Elara") withdrew from the Reedys Joint Venture at Meekatharra, and expenditure incurred by Elara of \$593,213 was agreed to be deemed expenditure towards its expenditure commitments for the Polelle Joint Venture.

Acquisition of Gold Division of Sons of Gwalia Ltd (Administrators Appointed)

On 20 March 2005, the Company announced the acquisition of the Gold Division of Sons of Gwalia Ltd (Administrators Appointed) ("SGWGD") for a cash payment of \$2,285,000, the replacement of existing bank guaranteed environmental Performance Bonds totalling \$29,960,000 and the assumption of additional Performance Bonds of up to \$5,700,000. The effective date of acquisition was 28 March 2005.

Through this acquisition the Company acquired:

- Land positions totalling 10,000km² in the Leonora, Southern Cross and South Laverton regions of Western Australia;
- Gold operations in production at Marvel Loch, Southern Cross, and Carosue Dam, South Laverton; and
- A portfolio of property, plant and equipment.

The results of gold production from these acquired assets are described in the section titled Operations Review, on pages 12 to 13.

c) Changes in Issued Capital

	Shares on Issue
Issued capital at 30 June 2004	574,149,157
On 15 July 2004, the Company announced the conversion by Ocean Resources Capital Holdings plc of the face value of its convertible note of \$4.4M into 55,000,000 ordinary shares at 8¢ each	629,149,157
On 20 July 2004, the Company issued 42,050,000 fully paid ordinary shares at 4¢ per share to raise \$1,682,000 for working capital	671,199,157
On 20 July 2004, the Company issued 17,480,547 fully paid ordinary shares to Ocean Resources Capital Holdings plc at 4.6¢ per share in satisfaction of interest of \$804,105	688,679,704
On 23 July 2004, the Company issued 26,591,453 fully paid ordinary shares to Resource Capital Funds II LP ("RCFII") at 4.6¢ per share to raise \$1,223,207 for working capital	715,271,157
On 1 December 2004, following shareholder approval, the Company converted a \$1,200,000 loan from RCFII into 21,554,172 fully paid ordinary shares	736,825,329
On 17 January 2005 the Company completed a share buy-back (offering 1.25 NuStar shares as consideration for every 1 St Barbara share bought back) and as a result cancelled 170,291,977 shares	566,533,352

Matters subsequent to the end of the financial year

On 26 July 2005, the Company announced:

- Extension to operations at Southern Cross based on open pit mining of Hercules and continuing underground operations at Marvel Loch;
- An on-market share buy-back to buy back up to 10% of the Company's issued capital (56,653,335 shares); and
- The proposed sale of unmarketable parcels of shares, on behalf of holders of unmarketable parcels.

On 27 July 2005, the Company sold its remaining shares in NuStar (63,325,359 shares) and Sedimentary (15,412,082 shares) for \$3,166,268 and \$2,851,234 respectively, yielding total proceeds of \$6,108,000.

On 9 August 2005, the Company announced a reserve estimate upgrade for Hercules, near Marvel Loch, Southern Cross as at 30 June 2005 using a gold price of A\$550/oz and cut-off grade of 1.1g/t, to Probable Reserves of 2.3Mt @ 2.5g/t for 180,000oz of gold.

Likely developments and expected results of operations

Likely developments in the operations of the consolidated entity constituted by St Barbara and the entities it controls at the date of this report included:

- As a consequence of the extension to operations at Southern Cross as described above, forecast gold production for the financial year 2005/06 is 150,000 ounces at an estimated cash cost of \$415/oz.
- Exploration activities are planned to continue at Leonora (both at Tarmoola and Gwalia Deeps), Southern Cross and Meekatharra.

Regulatory environment

The consolidated entity is subject to significant environmental regulation in respect of its mining and exploration activities.

Mining and exploration

The Company's mining activities are all in Western Australia, and are governed by the Mines Act Western Australia, the Mines Safety and Inspection Act and other mining related legislation. Exploration activities are also primarily in Western Australia. Details of mining and exploration activities during the year are set out in separate reports included in this Annual Report.

Directors Report

continued

Information on directors

S J Colin Wise LL.B, FAICD, FAusIMM

Chairman - non-executive Age 59

Experience and expertise

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 care service in Melbourne.

Other current public company directorships

Nil

Former public company directorships in last 3 years

Nil

Special responsibilities

Chairman of the Board

Member of the Audit Committee

Interest in shares and options

Mr Wise has a beneficial interest in 3,100,000, fully paid ordinary shares of the Company.

Eduard Eshuys B.Sc, FAICD, FAusIMM

Managing Director and Chief Executive Officer Age 60

Experience and expertise

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.

Other current public company directorships

Nil

Former public company directorships in last 3 years

Nil

Special responsibilities

Member of the Remuneration Committee

Interest in shares and options

Mr Eshuys has a beneficial interest in 1,250,000 fully paid ordinary shares and holds 35,000,000 executive options to acquire fully paid ordinary shares as detailed later in this Report.

Henderson (Hank) G Tuten, B.A. (Econ)

Non Executive Director Age 57

Experience and expertise

Mr Tuten is actively involved in a consolidated entity of private equity funds as a founding partner. These are the Resource Capital Funds ("RCF"), the e-Century Capital Fund and the CIP Fund. Mr Tuten is the Chairman of RCF Management LLC, the management company of RCF. He spent over fifteen years with the NM 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 NV, the private equity vehicle for Rothschild Continuation Holdings AG 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 BA in Economics.

Other current public company directorships

Nil

Former public company directorships in last 3 years

Nil

Special responsibilities

Member of the Audit Committee

Interest in shares and options

Mr Tuten has a beneficial interest in shares and options held by Resource Capital Funds II LP of 177,887,642 shares and 52,088,091 options.

Mark K Wheatley B.E.((Chem) Hons 1), MBA

Non Executive Director Age 44

Experience and expertise

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 successful mergers and acquisitions before it was taken over by Placer Dome Inc. in 2002. Mr Wheatley is currently Chairman and CEO of Southern Cross Resources Inc, a company which is listed on the Toronto Stock Exchange.

Other current public company directorships
Southern Cross Resources Inc

Former public company directorships in last 3 years
Nil

Special responsibilities
Chairman of the Audit Committee - appointed 25 July 2005 (previously Chairman of the Remuneration Committee)
Member of the Remuneration Committee

Interest in shares and options
Mr Wheatley holds 1,000,000 unlisted options as detailed later in this Report.

Richard Knight MSc(Eng), DIC, BSc(Eng), ARSM, FAICD, C.Eng
Non Executive Director Age 64

Experience and expertise

Mr Knight is a mining engineer with some forty years experience, both in Australia and internationally. Mr Knight is a Director of Zinifex Limited and Northern Orion Resources Inc, Chairman of Heuris Partners, a Melbourne-based advisory and strategic planning practice and Senior Advisor to Inco Limited. He has previously been CEO of Energy Australia Limited, an Executive Director of North Limited and Managing Director of Inco Australia Management Pty Ltd. As the Managing Director of Inco Australia Management Pty Ltd,

Mr Knight was responsible for the redesign and reorganisation of the Goro lateritic nickel project in New Caledonia.

Other current public company directorships
Zinifex Limited and Northern Orion Resources Inc

Former public company directorships in last 3 years
Portman Limited and Asia Pacific Resources Limited

Special responsibilities
Chairman of the Remuneration Committee - appointed 25 July 2005

Interest in shares and options
None

Company secretary

Ross Kennedy BComm, Grad.Dip - Company Secretarial Practice, ACA, FTIA, MAusIMM, FAICD, ACSA

Chief Financial Officer and Company Secretary Age 45
Mr Kennedy was appointed to the position of company secretary in 2004. Mr Kennedy has more than 17 years' experience as a public company secretary and has held a number of public company directorships in resources and technology companies. He has commercial experience in the acquisition and sale of mineral assets and extensive corporate experience in public company administration including treasury, IT, risk management, ethical standards, capital and finance raisings, statutory accounting, takeovers, legal contracts and statutory compliance with a diverse range of public companies.

Meetings of directors

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2005, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of non - executive directors		Meetings of committees			
	A	B	A	B	Audit		Remuneration	
	A	B	A	B	A	B	A	B
S J C Wise	17	17	-	-	2	2	1	1
E Eshuys *	17	17	-	-	2	2	1	1
H G Tuten	18	22	-	-	-	2	**	**
M K Wheatley	20	22	-	-	1	2	1	1
R Knight	1	1	-	-				
S W Miller *	5	5	-	-				
K A Dundo	4	4	-	-				

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

* = Not a non-executive director
** = Not a member of the relevant committee

Retirement, election and continuation in office of directors

R Knight was appointed a director on 25 May 2005. In accordance with the Constitution, R Knight retires as a director at the annual general meeting and, being eligible, offers himself for re-election.

S J C Wise is the director retiring by rotation who, being eligible, offers himself for re-election.

Remuneration report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Managing Director & CEO KPIs
- F Valuation of options

A Principles used to determine the nature and amount of remuneration

The Company's remuneration policy and practices have been evolving, with a recently adopted Remuneration Policy. A summary of key elements of the Remuneration Policy is as follows:

Overview

The board recognizes that in order to meet and exceed its business objectives, the Company must be able to attract, motivate and retain key executives.

Key Principles

The key principles that underlie St Barbara's Remuneration Policy are:

- remuneration will be linked to the creation of value for shareholders;
- remuneration will reward both financial and non-financial performance;
- remuneration will reflect the market in which the Company operates; and
- remuneration will recognise the contribution of individuals and teams.

Executive Remuneration

- Aim of Remuneration Policy
To achieve its goals in relation to executive staff, the Remuneration Policy is designed to:
 - align individual and team reward with business performance in both the short term and long term;

- encourage executives to align their interest with those of shareholders;
- encourage executives to perform to their fullest capacity;
- be business focused and flexible; and
- be competitive and cost effective in each relevant employment market.
- Content of Remuneration Packages
Remuneration may incorporate fixed and variable pay performance elements with both a short-term and long-term focus. Remuneration packages may contain any or all of the following:
 - annual salary - with provision to recognize the value of the individual's personal performance and their ability and experience;
 - rewards, bonuses, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution;
 - share participation - St Barbara has adopted an Employee Share Option Plan; and
 - other benefits, such as holiday leave, sickness benefits, superannuation payments and long service benefits.

Non executive directors

Fees and payments to non executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non executive directors' fees and payments are reviewed annually by the Board. The Board also considers the advice of independent remuneration consultants to ensure non executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non executive directors based on comparative roles in the external market. The Chairman is not involved in any discussions relating to determination of his own remuneration. Non executive directors do not receive employee share options. M K Wheatley received 1,000,000 unlisted options as detailed in note 23 from Resource Capital Fund II LP. Non executive directors may, commencing 1 October 2005 elect to receive all or part of their remuneration with a 20% minimum in St Barbara shares, which would be acquired on-market, pursuant to a non executive director share plan.

Directors' fees

The current base remuneration was last reviewed with effect from 1 July 2005. The Chairman's remuneration is inclusive of committee fees while non-executive directors receive additional yearly fees for their membership on committees of the Board.

Non executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically

recommended for approval by shareholders. The maximum currently stands at \$215,000 per annum in aggregate (approved in 1991), and shareholders will be asked to consider an increase to \$750,000 per annum in aggregate at the 2005 Annual General Meeting.

Retirement allowances for directors

Non executive directors are not entitled to retirement allowances.

Executive pay

The executive pay and reward framework has four components:

- base pay and benefits
- short-term performance incentives
- long-term incentives through participation in Executive Options or the St Barbara Employee Option Plan, and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed benefits at each executive's discretion.

Executives are offered a competitive base pay. External remuneration consultants provide analysis and advice to assist in determining base pay that reflects a comparable market role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any senior executive's contracts.

Benefits

Executives receive benefits including as appropriate, car and/or living away from home allowances.

Superannuation

Employees have a choice of superannuation funds and all benefits accumulate.

Short-term incentives

For the year ended 30 June 2005, KPIs required performance in improving operational efficiencies as well as other key, strategic financial and non-financial measures linked to drivers of performance in future reporting periods.

The Remuneration Committee is responsible for assessing whether the KPIs are met. To help make this assessment, the committee receives detailed reports on performance from management and as appropriate, external remuneration consultants.

St Barbara Employee Option Plan

Information on the St Barbara Option Plan is set out on page 63.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of each director of St Barbara and each of the five executives of the company and the consolidated entity who received the highest remuneration for the year ended 30 June 2005 as reflected in the results of the Company for that year are set out in the following tables. Remuneration for directors and executives is reviewed annually. Cash bonuses are directly related to performance.

Directors Report

continued

Directors of St Barbara

2005	Primary			Post-employment		Option Value Current Date \$	Remuneration as Option Value %
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Retirement benefits \$		
<i>Chairman</i>							
S J C Wise	87,114	-	-	7,840	-	-	94,954
<i>Managing Director & CEO</i>							
E Eshuys	¹ 276,178	² 250,000	40,000	8,652	-	³ 914,614	1,489,444
<i>Former Executive Chairman</i>							
S W Miller	37,716	-	-	7,543	⁴ 245,616	-	290,875
<i>Non executive directors</i>							
R Knight *	4,701	-	-	423	-	-	5,124
H G Tuten **	-	-	-	-	-	-	-
M K Wheatley	⁵ 73,007	-	-	6,571	-	-	79,578
Total	478,716	250,000	40,000	31,029	245,616	914,614	1,959,975

¹ Includes consulting fees paid prior to employment.

² Provision for bonus included in the 2005 financial year results, and paid subsequent to balance date.

³ During the 2005 financial year, E Eshuys was issued executive options, with the approval of shareholders at the 2004 Annual General Meeting. Details are as follows:

Grant date	Number	Exercise price	Expiry	Vesting	Vesting condition
23 Dec 04	5,000,000	0.0472	23 Dec 09	On grant	Continued employment as Managing Director & CEO
23 Dec 04	5,000,000	0.0472	23 Dec 09	21 Jul 05	
23 Dec 04	5,000,000	0.0472	23 Dec 09	21 Jul 06	
23 Dec 04	5,000,000	0.1500	23 Dec 08	14 Sep 05	
23 Dec 04	5,000,000	0.1500	23 Dec 09	14 Sep 06	
23 Dec 04	5,000,000	0.1500	23 Dec 10	14 Sep 07	
23 Dec 04	5,000,000	0.1500	23 Dec 11	14 Sep 08	

For statutory purposes, E Eshuys' options are valued as at grant date being the date of shareholder approval apportioned on a pro-rata basis for the period of service to vesting dates. The valuation assumes that all options granted will vest. The pricing of the exercise terms of these options was agreed at prior dates;

- 21 July 2004 15,000,000 options exercisable at \$0.0472 (being the volume weighted average share price for the month after Mr Eshuys was first appointed a Director)
- 14 September 2004 20,000,000 options exercisable at \$0.15 (closing market price of \$0.044)

⁴ S W Miller received a termination package comprising accrued leave entitlements and redundancy.

⁵ Includes back pay of \$27,135 and superannuation thereon of \$2,442 relating to the previous financial year.

* R Knight was appointed a director on 25 May 2005

** H G Tuten has declined to receive directors' fees

Total remuneration of directors of St Barbara for the year ended 30 June 2004 is set out below. Information is aggregated except for Directors in office during both the current and preceding year.

2004	Primary			Post-employment		Option Value Current Date \$	Remuneration as Option Value Total \$	%
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Retirement benefits \$			
<i>Former Executive Chairman</i>								
S W Miller	400,000	-	11,324	80,000	-	-	491,324	-
<i>Non executive directors</i>								
H G Tuten **	-	-	-	-	-	-	-	-
M K Wheatley	27,135	-	-	2,446	-	-	29,581	-
KA Dundo (resigned 18/07/04)	100,000	-	-	9,000	-	-	109,000	-
GB Speechly (resigned 28/11/03)	20,833	-	-	1,875	-	-	-	-
Total	547,968	-	-	93,321	-	-	652,613	

Other executives of St Barbara

2005	Primary			Post-employment		Option Value Current Date \$	Remuneration as Option Value Total \$	%
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Retirement benefits \$			
R J Kennedy <i>CFO & Company Secretary</i>	¹ 148,292	-	8,333	10,916	-	² 46,276	213,817	21.6
P Thompson <i>GM - Exploration</i>	71,499	-	-	6,885	-	² 47,949	126,333	38.0
M R Reed ³ <i>GM - Operations</i>	227,788	-	-	-	-	-	227,788	-
G C Miller <i>GM - Special Projects</i>	145,000	-	-	21,750	-	-	166,750	-
G Viska <i>GM - Commercial</i>	³ 131,500	-	-	-	-	-	131,500	-
Total	724,079	-	8,333	39,551	-	94,225	866,188	

¹ includes consulting fees paid prior to employment

² employee options issued on commencement of employment valued at grant date in accordance with AASB 1046 Director and Executive Disclosures

³ executives in receipt of consulting fees

All executives commenced with St Barbara during the 2005 financial year save for G C Miller who is a continuing executive.

Directors Report

continued

Total remuneration of executives of St Barbara for the year ended 30 June 2004 is set out below. Information is aggregated except for executives in office during both the current and preceding year.

2004	Primary			Post-employment			Options \$	Total \$
	Cash salary and fees	Cash bonus \$	Non- monetary benefits	Super- annuation \$	Retirement benefits \$			
G C Miller								
G M - Special Projects	145,000	-	3,320	21,750	-	-	-	\$170,070
R T Calnan (Resigned 31/10/04)	169,000	-	11,446	62,600	-	-	-	243,046
P J Richardson (Resigned 30/11/04)	150,000	-	10,789	15,000	-	-	-	175,789
C W Davis (Resigned 31/10/04)	142,622	-	9,048	21,393	-	-	-	173,063
E L Boyd (Resigned 31/12/04)	120,698	-	214	9,511	-	-	-	130,423
A D Rule (Resigned 15/12/03)	87,796	-	3,320	11,875	71,250	-	-	174,241
Total	815,116	-	38,137	142,129	71,250	-	-	1,066,632

C Service agreements

Remuneration and other terms of employment for the Managing Director and the specified executives are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses, other benefits including allowances and participation, when eligible, in the St Barbara Employee Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated early by either party with one month's notice, subject to termination payments as detailed below.

E Eshuys, Managing Director & CEO

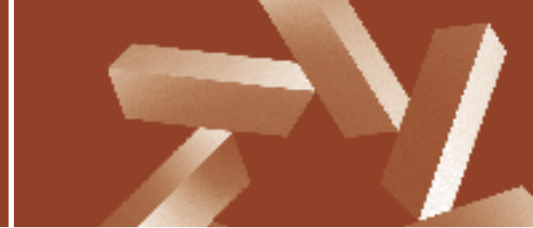
The Company may terminate the contract by providing three months' notice and at the end of the notice period paying the executive nine months' salary. E Eshuys may terminate the contract by giving four months' notice.

R J Kennedy, Chief Financial Officer & Company Secretary

The notice period for terminating R Kennedy's contract is three months' during his first year of service, four and a half months for between one and three years of service and six months after three years. R Kennedy is required to give three month's notice of termination.

D Share-based compensation

Options other than those issued to Mr Eshuys (refer Section E) were granted under the St Barbara Employee Option Plan which was approved by shareholders at the 2001 annual general meeting. Staff eligible to participate in the plan are generally either of supervisor level and above or employees who have been continuously employed by the consolidated entity for a period of at least one year.



Options are granted under the plan for no consideration. Options granted during the year had a three year term and vested on the grant date.

The terms and conditions of each grant of options granted under the St Barbara Employee Option Plan affecting remuneration in this or future reporting periods are as follows:

Issued to	Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
R Kennedy	2 Dec 04	2 Dec 07	\$0.08	\$0.46	Anytime from grant date
P Thompson	16 Dec 04	2 Dec 07	\$0.08	\$0.48	Anytime from grant date

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

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

The exercise price of options is equal to or greater than the closing market price on the Australian Stock Exchange on the day the options are granted.

E Managing Director & CEO KPIs

In respect of the 2005 financial year, E Eshuys achieved 100% of the potential bonus available for that year.

The key performance indicators relevant to determination of the bonus for the 2005 financial year encompassed the following categories:

- Corporate
- Finance and administration
- Investor relations
- Exploration and development
- Business development
- Human resources/environment/community

F Valuation of options

The amounts disclosed for emoluments relating to options above are the assessed fair values at grant date of options granted to executive directors and other executives. Fair values at grant date are independently determined using a Black-Scholes option pricing model of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2005 included:

- options are granted for no consideration
- exercise price
- grant date
- expiry date
- share price at grant date
- expected price volatility of the company's shares
- expected dividend yield
- risk-free interest rate

Loans to directors and executives

There were no loans to directors or executives during the year.

Directors Report

continued

Share options granted to directors and the most highly remunerated officers

Options over unissued ordinary shares of St Barbara granted during or since the end of the financial year to any of the directors or the five most highly remunerated officers of the company and consolidated entity as part of their remuneration were to E Eshuys, Managing Director and CEO as set out in Section B of this report and otherwise as follows:

Other executives of St Barbara	Options granted	Grant date
R J Kennedy, <i>CFO & Company Secretary</i>	1,000,000	2 Dec 04
P Thompson, <i>General Manager Exploration</i>	1,000,000	16 Dec 04
G Viska, <i>General Manager Commercial</i>	1,000,000	2 Aug 05

Shares under option

Unissued ordinary shares of St Barbara under option at the date of this report are as follows:

Type	Expiry	Issue price of shares	Number under option
RCF II	Between 15 Jul 05 and 24 May 08	Between 11.4¢ and 21.3¢	52,862,679
Executive options	Between 31 Dec 05 and 23 Dec 11	Between 4.7¢ and 15¢	36,000,000
Employee options	Between 31 Aug 05 and 17 Jan 08	Between 8¢ and 35¢	4,750,000
			93,612,679

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Shares issued on the exercise of options

There were no ordinary shares of St Barbara issued during the year ended 30 June 2005 on the exercise of options granted under the St Barbara Employee Option Plan. No other shares have been issued since that date.

Insurance of officers

During the financial year, St Barbara paid a premium of \$172,373 including GST and charges, to insure the directors and officers of the company and its Australian-based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Company

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

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

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not comprise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 36.

Consolidated	
2005	2004
\$	\$

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

Audit services

PricewaterhouseCoopers Australian firm:

Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	126,632	117,786
Total remuneration for audit services	126,632	117,786

Taxation services

PricewaterhouseCoopers Australian firm:

Tax compliance services, including review of company income tax returns	108,726	29,200
Total remuneration for taxation services	108,726	29,200

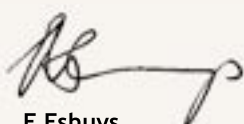
Rounding of amounts

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 directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

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

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



E Shuys
Director

Perth, 30 September 2005

Auditors' Independence Declaration

PRICEWATERHOUSECOOPERS

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Auditors' Independence Declaration

As lead auditor for the audit of St Barbara Mines Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of St Barbara Mines Limited and the entities it controlled during the period.



David J Smith
Partner
PricewaterhouseCoopers

Perth
30 September 2005



Statements of Financial Performance for the year ended 30 June 2005



	Notes	Consolidated		Company	
		30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
Revenue from sale of gold	3	46,553	21,972	46,553	21,972
Other revenues from outside operating activities	3	20,948	10,460	20,395	10,871
Total revenue from ordinary activities		67,501	32,432	66,948	32,843
Changes in inventories of finished goods		(687)	(3,691)	(687)	(3,691)
Raw materials and consumables used		(6,640)	(9,359)	(6,640)	(9,359)
Carrying value of net assets and non current assets sold		(14,578)	(6,849)	(14,541)	(6,849)
Contract mining, cartage, milling, maintenance, labour and consultants		(20,558)	(8,685)	(20,558)	(8,000)
Tenement rent and rates		(2,211)	(1,329)	(2,211)	(1,329)
Royalty cost expenses		(1,265)	(671)	(1,265)	(671)
Employee benefits expenses		(7,256)	(6,165)	(7,256)	(5,876)
Exploration drilling and assay expenditure		(3,896)	(4,360)	(3,896)	(1,566)
Loss on subsidiary becoming an associate		(272)	-	-	-
Share of net loss of associate		(577)	-	-	-
Provision for diminution in value of investments		(773)	-	(773)	-
Provision for diminution in investment in controlled entities		-	-	-	(12,348)
Write down of mining development expenses		-	(6,497)	-	(6,497)
Write down of exploration tenements		(775)	(318)	(775)	(318)
Depreciation and amortisation expenses	4	(8,093)	(2,726)	(8,093)	(2,721)
Other expenses from ordinary activities		(6,093)	(2,930)	(5,288)	(1,806)
Earnings/(loss) before interest and tax (EBIT)		(6,173)	(21,148)	(5,035)	(28,188)
Borrowing cost expense	4	(524)	(4,080)	(524)	(3,741)
Loss from ordinary activities before related income tax expense		(6,697)	(25,228)	(5,559)	(31,929)
Income tax expense		-	-	-	-
Loss from ordinary activities after related income tax expense		(6,697)	(25,228)	(5,559)	(31,929)
Net loss attributable to outside equity interests		-	913	-	-
Net loss attributable to members of the Company		(6,697)	(24,315)	(5,559)	(31,929)
Total changes in equity attributable to members of the Company other than those resulting from transactions with owners as owners		(6,697)	(24,315)	(5,559)	(31,929)
Basic and diluted loss per share (cents per share)	32	(1.04)	(4.70)		

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

Statements of Financial Position as at 30 June 2005



	Notes	Consolidated		Company	
		30 June 2005	30 June 2004	30 June 2005	30 June 2004
		\$'000	\$'000	\$'000	\$'000
Assets					
Current assets					
Cash assets	6	16,273	12,849	16,273	1
Receivables	8	4,767	1,512	4,767	374
Other financial assets	14	-	188	179	21,888
Inventories	9	4,448	777	4,448	777
Assets held for resale	10	21,072	58	21,072	58
Other	11	1,864	630	1,864	599
		48,424	16,014	48,603	23,697
Non-current assets					
Restricted cash	7	11,801	3,108	11,801	2,765
Receivables	8	-	-	595	1,140
Property, plant and equipment	12	8,996	4,947	8,137	3,821
Mining properties	13	14,848	42,401	14,848	13,538
		35,645	50,456	35,381	21,264
Total Assets		84,069	66,470	83,984	44,961
Liabilities					
Current liabilities					
Payables	15	16,225	6,691	16,225	6,067
Interest bearing liabilities	16	1,541	9,832	1,541	8,932
Provisions	17	119	751	119	751
		17,885	17,274	17,885	15,750
Non-current liabilities					
Payables	15	-	-	11,402	11,484
Interest bearing liabilities	16	7,000	75	7,000	75
Provisions	17	39,111	4,269	39,111	4,269
		46,111	4,344	57,513	15,828
Total Liabilities		63,996	21,618	75,398	31,578
Net Assets		20,073	44,852	8,586	13,383
Equity					
Contributed equity	18	135,053	139,400	135,053	139,400
Option reserve	19	2,443	2,443	2,443	2,443
Accumulated losses	20	(117,423)	(115,835)	(128,910)	(128,460)
Parent entity interest		20,073	26,008	8,586	13,383
Outside equity interest	21	-	18,844	-	-
Total Equity		20,073	44,852	8,586	13,383

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 2005



	Notes	Consolidated		Company	
		30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
Cash Flows from Operating Activities					
Cash receipts in the course of operations (inclusive of goods and services tax)		44,508	24,684	44,508	24,507
Payments to suppliers and employees (inclusive of goods and services tax)		(44,939)	(31,712)	(40,348)	(27,799)
Interest received		301	1,343	301	1,056
Borrowing costs paid and gold lease fees		(239)	(2,662)	(239)	(1,732)
Finance charges - finance leases		-	(162)	-	(162)
- hire purchase agreements		(98)	(133)	(98)	(133)
Net cash flows (used in)/provided by operating activities	30	(467)	(8,642)	4,124	(4,263)
Cash Flows from Investing Activities					
Payments in respect of exploration, evaluation and development		-	(5,043)	-	(3,327)
Payments for property, plant and equipment		(202)	(42)	(40)	(38)
Payments for acquisition of business combination, including associated expenses		(2,874)	(2,874)		
Cash received from tenements sold		42	1,020	42	1,000
Cash received from investments sold		9,862	4,984	9,862	4,984
Payments for investment in listed securities		(458)	(500)	(458)	-
Net funds from controlled entities		-	-	545	490
Cash disposed on sale of controlled entity		(5,168)	-	-	-
Proceeds from sale of royalties, property, plant and equipment		4,706	3,584	5,733	3,483
Net cash flows provided by investing activities		5,908	4,003	12,810	6,592
Cash Flows from Financing Activities					
Principal repayments under secured loans		(3,500)	(5,000)	(3,500)	(5,000)
Movement in restricted cash		(10,430)	465	(8,940)	808
Proceeds from borrowings		9,035	4,500	8,853	3,500
Proceeds from issue of shares and other equity securities		4,051	20,017	4,051	860
Principal repayments - finance leases		-	(2,315)	-	(2,315)
- hire purchase agreements		(183)	(776)	(183)	(776)
- other		(990)	-	(943)	-
Net cash flows (used in)/provided by financing activities		(2,017)	16,891	(662)	(2,923)
Net increase/(decrease) in cash		3,424	12,252	16,272	(594)
Cash at the beginning of the financial year		12,849	597	1	595
Cash at the end of the financial year	6	16,273	12,849	16,273	1
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



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) 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 2005 and the results of all controlled entities for the year then ended. St Barbara Mines 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.

b) 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.

c) 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.

d) 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.



1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

e) 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 131/3 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.

f) Depreciation and Amortisation of Assets Held for Resale

Plant and equipment which is currently surplus to requirements and not used is not depreciated if already written down to residual value. 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.

g) 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.

Tax consolidation legislation

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

h) 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 1a.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated statement of financial performance, and its share of post acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

i) 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.

j) 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 1e). Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

k) 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.

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 the Directors Report include the assessed fair values of options at the date they were granted.

l) 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.

m) 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.

n) Revenue

Amounts are recognised as sales revenue when, there has been a passing of risk to a customer, and:

- the product is in a form suitable for delivery and no further processing is required by, or on behalf of, the producer;
- the quantity and quality of the product can be determined with reasonable accuracy;
- the product has been despatched to the customer and is no longer under physical control of the producer (or property in the product has earlier passed to the customer); and
- the selling price can be determined with reasonable accuracy.

Sales revenue represents gross proceeds from the customer. Certain sales are initially recognised at estimated sales value when the product is shipped. Adjustments are made for variations in metal price, assay, weight and currency between the time of shipment and the final settlement of sales proceeds.

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.

o) 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. Exploration expenditure is treated as an operating cashflow in the current year to reflect the nature of the Company's business. Previously it was classified as investing.

Notes to the Financial Statement for the year ended 30 June 2005 continued



1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

p) 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.

q) 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.

r) 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.

s) 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.

t) 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.

u) 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.

v) Earnings per Share

i) 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.

ii) Diluted earnings per share

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

Details of the impact of adopting Australian Equivalents to International Financial Reporting Standards are detailed in Note 35 to the financial statements.

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.

3) REVENUE

Revenue from operating activities

Revenue from sale of gold

Revenue from non-operating activities

Proceeds on sale of investments

Proceeds on sale of tenements

Proceeds on sale of royalty, property, plant and equipment

Interest received

Other

Total revenue from ordinary activities

	Consolidated		Company	
	30 June 2005	30 June 2004	30 June 2005	30 June 2004
	\$'000	\$'000	\$'000	\$'000
Revenue from sale of gold	46,553	21,972	46,553	21,972
Proceeds on sale of investments	13,675	5,063	13,675	4,984
Proceeds on sale of tenements	50	1,020	50	1,000
Proceeds on sale of royalty, property, plant and equipment	6,662	3,486	6,109	3,483
Interest received	397	502	397	1,056
Other	164	389	164	348
Total revenue from ordinary activities	67,501	32,432	66,948	32,843

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

- Property, plant and equipment

- Tenements

Expenses

Cost of gold sales

Amortisation:

- Mining expenses

Write down of mining development expenses

Write-down of exploration tenements

Loss on disposal of property, plant and equipment

Depreciation:

- Buildings

- Plant and equipment

Borrowing costs expensed:

- Interest paid

- Convertible Note borrowing cost

- Finance charges relating to:

- finance leases

- hire purchase

Rental of premises

Royalties

Provision for:

- Rehabilitation

- Inventories

- Diminution of exploration tenements

- Investments	4,319	172	4,319	93
- Property, plant and equipment	1,369	-	853	-
- Tenements	42	1,020	42	1,000
Cost of gold sales	31,360	21,165	31,360	21,165
Mining expenses	7,287	1,200	7,287	1,200
Write down of mining development expenses	-	1,241	-	1,241
Write-down of exploration tenements	775	318	775	318
Loss on disposal of property, plant and equipment	-	2,462	-	2,462
Buildings	70	102	70	102
Plant and equipment	736	1,424	736	1,419
	806	1,526	806	1,521
Interest paid	513	1,523	513	1,434
Convertible Note borrowing cost	-	2,262	-	2,012
Finance leases	-	162	-	162
hire purchase	11	133	11	133
	524	4,080	524	3,741
Rental of premises	263	274	263	274
Royalties	1,265	671	1,265	671
Rehabilitation	216	495	216	495
Inventories	-	(204)	-	(204)
Diminution of exploration tenements	-	5,256	-	5,256

Notes to the Financial Statement for the year ended 30 June 2005 continued



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:

	Consolidated		Company	
	30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
Loss from ordinary activities before income tax expense	(6,697)	(25,228)	(5,559)	(31,929)
Income tax calculated at 30% (2004: 30%)	2,009	7,568	1,668	9,579
Tax effect of permanent differences:				
- Provision for diminution in investments	(307)	(90)	(232)	(3,720)
- Legal and other capital expenditure	(448)	(91)	(448)	(91)
- Sundry items	(3)	(3)	(3)	(3)
	(758)	(184)	(683)	(3,814)
Income tax adjusted for permanent differences	1,251	7,384	985	5,765
Net future income tax benefit not brought to account	(1,251)	(7,384)	(985)	(5,765)
Income tax (expense)	-	-	-	-

b) Unbooked future income tax benefit

Future income tax benefit attributable to operating losses	1,280	33,263	1,280	25,809
Less: offset to provision for deferred income tax	(4,071)	(1,357)	(4,071)	(834)
	(2,791)	31,906	(2,791)	24,975
Future income tax benefit attributable to timing differences not brought to account	4,545	1,674	4,545	1,602
Future income tax benefit not brought to account	1,754	33,580	1,754	26,577

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 not to implement tax consolidation in respect of the year ended 30 June 2005. The Australian Taxation Office has not yet been notified of this decision.

6) CASH ASSETS

Current

Current cash on hand

Cash on call

	Consolidated		Company	
	30 June 2005	30 June 2004	30 June 2005	30 June 2004
	\$'000	\$'000	\$'000	\$'000
Current cash on hand	1,454	1	1,454	1
Cash on call	14,819	12,848	14,819	-
	16,273	12,849	16,273	1

7) RESTRICTED CASH

Non-Current

Term deposit ⁱ

Term deposit ^{ii iii}

Term deposit ⁱ	47	40	47	40
Term deposit ^{ii iii}	11,754	3,068	11,754	2,725
	11,801	3,108	11,801	2,765

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 Industry and Resources.

ⁱⁱⁱ Funds placed on security deposit with Westpac Banking Corporation as security for performance bonds issued by Westpac Banking Corporation to WA Department of Industry and Resources.

8) RECEIVABLES

Current

Trade debtors

Provision for doubtful debts

Other debtors ⁱ

Trade debtors	2,561	576	2,561	382
Provision for doubtful debts	(56)	(222)	(56)	(222)
Other debtors ⁱ	2,262	1,158	2,262	214
	4,767	1,512	4,767	374

ⁱ Other debtors in the consolidated entity includes a GST receivable of \$1,445,005

Non-Current

Non-trade receivables from controlled entities

Less: provision for non-recovery

Non-trade receivables from controlled entities	-	-	2,225	2,770
Less: provision for non-recovery	-	-	(1,630)	(1,630)
	-	-	595	1,140

9) INVENTORIES

Current

Consumables and spares - at cost

Less: provision for obsolescence

Gold in circuit - at cost

Consumables and spares - at cost	2,635	870	2,635	870
Less: provision for obsolescence	(130)	(130)	(130)	(130)
	2,505	740	2,505	740
Gold in circuit - at cost	1,943	37	1,943	37
	4,448	777	4,448	777

Notes to the Financial Statement for the year ended 30 June 2005 continued



10) ASSETS HELD FOR RESALE

Current

Investments

- At cost
- Provision for diminution

Property, plant and equipment owned

- At cost
- At fair value
- Accumulated depreciation

	Consolidated		Company	
	30 June 2005	30 June 2004	30 June 2005	30 June 2004
	\$'000	\$'000	\$'000	\$'000
Investments				
- At cost	9,173	-	9,173	-
- Provision for diminution	(3,069)	-	(3,069)	-
	6,104	-	6,104	-
Property, plant and equipment owned				
- At cost	14,968	1,587	14,968	1,587
- At fair value	-	-	-	-
- Accumulated depreciation	-	(1,529)	-	(1,529)
	14,968	58	14,968	58
	21,072	58	21,072	58

11) OTHER ASSETS

Current

Prepayments

Prepayments	1,864	630	1,864	599
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12) PROPERTY, PLANT AND EQUIPMENT

Non-Current

Property, plant and equipment - at cost

Land

Buildings

Less: Accumulated depreciation

Plant and equipment

Less: Accumulated depreciation and provision for diminution

Written down value of plant and equipment

Land	972	1,244	113	135
Buildings	4,069	4,434	4,069	4,434
Less: Accumulated depreciation	(3,964)	(4,238)	(3,964)	(4,238)
	105	196	105	196
Plant and equipment	63,167	55,457	63,167	55,270
Less: Accumulated depreciation and provision for diminution	(55,248)	(51,950)	(55,248)	(51,780)
Written down value of plant and equipment	7,919	3,507	7,919	3,490
	8,996	4,947	8,137	3,821

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

Disposals

Provision for diminution

Carrying amount at the end of the year

Buildings

Carrying amount at the beginning of year

Disposals

Depreciation

Carrying amount at the end of the year

Carrying amount at the beginning of year	1,244	1,249	135	140
Disposals	(21)	(5)	(22)	(5)
Provision for diminution	(251)	-	-	-
Carrying amount at the end of the year	972	1,244	113	135
Carrying amount at the beginning of year	196	383	196	383
Disposals	(21)	(85)	(21)	(85)
Depreciation	(70)	(102)	(70)	(102)
Carrying amount at the end of the year	105	196	105	196

12) PROPERTY, PLANT AND EQUIPMENT continued

Plant and equipment

	Consolidated		Company	
	30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
Carrying amount at the beginning of year	3,507	6,748	3,490	6,730
Additions	20,200	42	20,200	38
Disposals	(85)	(1,859)	(68)	(1,859)
Depreciation	(736)	(1,424)	(736)	(1,419)
Transfer from plant and equipment to assets held for resale	(14,967)	-	(14,967)	-
Carrying amount at the end of the year	7,919	3,507	7,919	3,490
	8,996	4,947	8,137	3,821

13) MINING PROPERTIES

Non-Current

Opening balance	42,401	46,372	13,538	19,224
Direct expenditure	-	4,383	-	2,668
Acquired tenements	13,068	-	13,068	-
Provision for diminution	(775)	(6,497)	(775)	(6,497)
Deconsolidation adjustment	(28,863)	-	-	-
Amortisation charge for the year	(7,287)	(1,539)	(7,287)	(1,539)
Write down as per Director's recommendation	-	(318)	-	(318)
Disposal of royalty	(3,696)	-	(3,696)	-
Closing balance	14,848	42,401	14,848	13,538

Mining properties

Areas of interest in the exploration/evaluation stage	9,067	38,705	9,067	9,842
Areas of interest in the development and production phase	5,781	3,696	5,781	3,696
	14,848	42,401	14,848	13,538

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

Notes to the Financial Statement for the year ended 30 June 2005 continued



14) OTHER FINANCIAL ASSETS

Current

Investments in controlled entities:

- Unlisted securities (at cost)
- Listed securities (at cost)

Provision for diminution

- Market value

Consolidated		Company	
30 June 2005	30 June 2004	30 June 2005	30 June 2004
\$'000	\$'000	\$'000	\$'000
-	-	179	179
-	500	-	38,138
-	(312)	-	(16,429)
-	188	-	21,709
-	188	179	21,888

On 30 September 2004, the Company sold 100,000,000 shares in NuStar, a Company that was previously controlled. As a result of this sale, the Company no longer exerted control and ceased to consolidate the results of NuStar from that date.

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

Details of the disposal are set out as follows:

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

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

15) PAYABLES

Current

Trade creditors and accruals
Loans from controlled entities - unsecured

Non-Current

Loans from controlled entities - unsecured

Consolidated		Company	
30 June 2005	30 June 2004	30 June 2005	30 June 2004
\$'000	\$'000	\$'000	\$'000
16,225	6,691	16,225	5,851
-	-	-	216
16,225	6,691	16,225	6,067
-	-	11,402	11,484

16) INTEREST BEARING LIABILITIES

Current

Hire purchase liability - secured
Convertible notes - secured ^{1 2}
Insurance premium funding - unsecured
Other loans - secured ^{3 4}

76	188	76	188
-	6,144	-	5,244
1,465	-	1,465	-
-	3,500	-	3,500
1,541	9,832	1,541	8,932

Non Current

Hire purchase liability - secured
Other loans - secured ³

-	75	-	75
7,000	-	7,000	-
7,000	75	7,000	75

¹ On 15 July 2004, the Company announced the conversion by Ocean Resources Capital Holdings Limited ("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 of \$804,105 was also satisfied by the issue of 17,480,547 fully paid ordinary shares at \$0.046 per share.

² A subsidiary at 30 June 2004, NuStar, had a \$900,000 unsecured convertible note with Claymore Capital Pty Ltd which was repaid in October 2004. The Company deconsolidated NuStar with effect as from 30 September 2004.

³ On 29 March 2005, the Company drew down \$7,000,000 from a bridge loan facility provided by Resource Capital Funds III LP ("RCFIII") to assist in financing the acquisition of the gold division of Sons of Gwalia Ltd (Administrators Appointed) ("SGWGD"). Interest is payable on funds drawn at the rate of 8% per annum, payable 6 monthly in arrears, and with the Company to absorb withholding taxes (currently 10% of gross interest).

The loan has a maturity date of 31 December 2008 and may, at RCFIII's election, and subject to prior shareholder approval, be converted into 100,000,000 shares in the Company at 7¢ each. The Company has the option to repay the loan before maturity, but if it does so, RCFIII is entitled to be issued 100,000,000 options over unissued shares in the Company's capital with an exercise price of 7¢ each, expiring 31 December 2008. The exercise of these options is subject to shareholder approval.

In addition, RCFIII procured financial backing for a \$21,000,000 bank guarantee facility to assist the Company replacing \$30,000,000 in performance bonds with the Department of Industry and Resources WA, attaching to the tenements acquired through SGWGD acquisition. The bank guarantee facility has an annual cost of approximately 2% per annum and expires 30 April 2007.

The loan and financial backing for the performance bond facility are secured by first ranking fixed and floating charges over the assets of the Company.

In addition, RCFIII has been granted a 1.5% royalty on future gold production from Meekatharra from 1 July 2007 and on the acquired SGWGD assets from 1 January 2006, for arranging the acquisition of the financing facilities.

⁴ On 8 May 2004, the Company entered into a margin lending facility with Galviston Pty Limited for \$3,500,000. The amount was secured over the investment in NuStar and was repaid in full in October 2004.

Notes to the Financial Statement for the year ended 30 June 2005 continued



16) INTEREST BEARING LIABILITIES continued

Assets pledged as security

The carrying amounts of assets pledged as security are:

Secured loan

- Market value of listed securities

First Mortgage

- Property, plant and equipment
- Other financial assets
- Mining properties

Finance Lease

- Plant and equipment under finance lease

Floating Charge

- Restricted cash
- Inventories
- Receivables

Total assets pledged as security

	Consolidated		Company	
	30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
- Market value of listed securities	6,104	18,452	6,104	18,452
First Mortgage				
- Property, plant and equipment	8,926	-	8,067	-
- Other financial assets	-	-	-	-
- Mining properties	14,848	14,848		
Finance Lease				
- Plant and equipment under finance lease	70	759	70	759
Floating Charge				
- Restricted cash	11,801	3,067	11,801	2,725
- Inventories	4,448	-	4,448	-
- Receivables	4,767	-	4,767	-
Total assets pledged as security	50,964	22,278	50,105	21,936

17) PROVISIONS

Current

Employee benefits

119	751	119	751
-----	-----	-----	-----

Non-Current

Employee benefits

-	78	-	78
---	----	---	----

Rehabilitation

39,111	4,191	39,111	4,191
--------	-------	--------	-------

39,111	4,269	39,111	4,269
---------------	--------------	---------------	--------------

Movements in Provisions

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

Rehabilitation	Total
\$'000	\$'000

Non-Current

Carrying amount at start of the year

4,191	4,191
-------	-------

Additional provision made on acquisition

34,920	34,920
--------	--------

Carrying amount at end of the year

39,111	39,111
---------------	---------------

18) CONTRIBUTED EQUITY

Ordinary Share Capital

Issued and paid up share capital

Consolidated		Company	
30 June 2005	30 June 2004	30 June 2005	30 June 2004
\$'000	\$'000	\$'000	\$'000
135,053	139,400	135,053	139,400

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
1 Jul 04	Opening Balance		574,149,157		139,400
15 Jul 04	Debt equity conversion	1	55,000,000	0.080	4,400
20 Jul 04	Share issue	2	17,480,547	0.046	804
20 Jul 04	Share placement		42,050,000	0.040	1,682
20 Jul 04	Share issue costs	3			(33)
23 Jul 04	Placement	4	26,591,453	0.046	1,223
1 Dec 04	Share issue	5	21,554,172	0.056	1,200
17 Jan 05	Share swap buy back	6	(170,291,977)	0.050	(13,623)
30 Jun 05	Closing Balance		566,533,352		135,053

¹ Ocean Resources Capital Holdings Limited ("Ocean") converted a convertible note for \$4,400,000 into 55,000,000 fully paid ordinary shares at 8¢ each.

² Ocean accepted the issue of 17,480,547 fully paid ordinary shares in satisfaction of interest of \$804,105 at 4.6¢ per share.

³ Share issue costs of \$33,000 were offset against issued capital as allowed by Australian Accounting Standards.

⁴ Resource Capital Funds II LP ("RCFII") accepted a placement of 26,591,453 fully paid ordinary shares at 4.6¢ per share to raise \$1,223,207 for working capital.

⁵ In July 2004, RCFII advanced the Company \$1,200,000 which was converted into 21,554,172 fully paid ordinary shares, following shareholder approval.

⁶ In the December 2004/January 2005 period the Company conducted a share swap buy back of shares, whereby 1.25 NuStar shares owned by the Company were offered for every 1 St Barbara share bought back. A total of 170,291,977 St Barbara shares, representing 23% of share capital at that time, were bought back in exchange for 212,864,971 NuStar shares. As a result of the buy back, the excess of the market value over book value of NuStar shares of \$5,109,000 has been applied to accumulated losses.

Notes to the Financial Statement for the year ended 30 June 2005 continued



19) OPTIONS

a) Option Reserve

Option reserve at the beginning of the financial period

Options issued during the financial period

Option reserve at the end of the financial period

Consolidated		Company	
30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
2,443	1,959	2,443	1,959
-	484	-	484
2,443	2,443	2,443	2,443

This option reserve arises from 44,159,394 unlisted options being issued during previous years.

b) Listed Share Options

The consolidated entity had no listed share options on issue at 30 June 2005.

c) Unlisted Share Options

At 30 June 2005, the consolidated entity had 93,612,679 unlisted share options on issue.

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

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 specified 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

Date	Details	Number of Options	Exercise Price	Expiry Date
30 Jun 03	Balance	44,905,632		
7 Jul 03	RCF Facility	11,555,962	\$0.1138	7 Jan 07
7 Jul 03	RCF Facility	394,016	\$0.2086	7 Jan 07
7 Jul 03	RCF Facility	1,934,835	\$0.2124	7 Jan 07
7 Jul 03	RCF Facility	3,867,849	\$0.2125	7 Jan 07
7 Jul 03	RCF Facility	5,874,281	\$0.1138	7 Jan 07
7 Jul 03	RCF Facility	200,292	\$0.2086	7 Jan 07
7 Jul 03	RCF Facility	983,541	\$0.2124	7 Jan 07
7 Jul 03	RCF Facility	1,966,155	\$0.2125	7 Jan 07
13 Jul 03	Employee Option Plan 2001 - cancelled	(75,000)	\$0.3500	26 Apr 07
26 Nov 03	RCF Facility	14,252,357	\$0.1138	24 May 08
26 Nov 03	RCF Facility	485,953	\$0.2086	24 May 08
26 Nov 03	RCF Facility	2,386,296	\$0.2124	24 May 08
26 Nov 03	RCF Facility	257,857	\$0.2125	24 May 08
3 Dec 03	Employee Option Plan 2001 - cancelled	(1,550,000)	\$0.3500	26 Apr 07
3 Dec 03	Employee Option Plan 2001 - cancelled	(750,000)	\$0.3500	17 Jan 08
3 Dec 03	B Speechly	(500,000)	\$0.4000	31 Dec 04
29 Feb 04	Employee Option Plan 2001- cancelled	(275,000)	\$0.3500	26 Apr 07
29 Feb 04	Employee Option Plan 2001 - cancelled	(225,000)	\$0.3500	17 Jan 08
15 Jun 04	Employee Option Plan 2001 - adjustment	50,000	\$0.3500	26 Apr 07
30 Jun 04	Employee Option Plan 2001 - cancelled	(775,000)	\$0.3500	26 Apr 07
30 Jun 04	Employee Option Plan 2001 - cancelled	(125,000)	\$0.3500	17 Jan 08
30 Jun 04	Closing Balance	84,840,026		
	Options issued:			
2 Dec 04	Employee options	1,000,000	\$0.0800	2 Dec 07
16 Dec 04	Employee options	1,000,000	\$0.0800	16 Dec 07
23 Dec 04	Executive options	15,000,000	\$0.0472	23 Dec 09
23 Dec 04	Executive options	20,000,000	\$0.1500	23 Dec 08 to 11
		37,000,000		
	Options expired:			
	Employee options	26,100,000	Various	Various
	Other unlisted options	2,127,347	Various	Various
		28,227,347		
30 Jun 05	Closing Balance	93,612,679		
	The closing balance is comprised as follows:			
	Unlisted options issued in prior years to RCFII	52,862,679		
	Unlisted options transferred from RCFII to Mr Wheatley	1,000,000		
	Executive options issued during the year	35,000,000		
	Employee options issued during the year	2,000,000		
	Employee options issued in previous years	2,750,000		
		93,612,679		

Notes to the Financial Statement for the year ended 30 June 2005 continued



20) ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial period
 Net loss attributable to members of the Company
 Share swap/buy-back (refer to Note 18)
 Accumulated losses at the end of the financial period

Consolidated		Company	
30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
(115,835)	(91,520)	(128,460)	(96,531)
(6,697)	(24,315)	(5,559)	(31,929)
5,109	-	5,109	-
(117,423)	(115,835)	(128,910)	(128,460)

21) OUTSIDE EQUITY INTEREST

Outside equity interest in:

- contributed equity
- accumulated losses opening balance
- retained loss current period

-	22,160	-	-
-	(2,403)	-	-
-	(913)	-	-
-	18,844	-	-

The outside equity interest arose from the Company's 54.8% interest at 30 June 2004 in NuStar which reduced from 88.3% during the previous 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.

22) FINANCIAL INSTRUMENTS continued

30 June 2005

Financial assets

	Floating Interest rate \$'000	Fixed interest maturing in:			Total \$'000
		1 year or less \$'000	Over 1 to 5 years \$'000	Non- interest bearing \$'000	
Cash	16,273	-	-	-	16,273
Restricted cash	11,801	-	-	-	11,801
Receivables	-	-	-	4,767	4,767
Investments	-	-	-	6,104	6,104
	28,074	-	-	10,871	38,945
Weighted average interest rate	5.12%				

Financial liabilities

Trade and other creditors	-	-	-	(16,225)	(16,225)
Other loans	-	(1,541)	(7,000)	-	(8,541)
	-	(1,541)	(7,000)	(16,225)	(24,766)
Weighted average interest rate	7.00%	8.00%			
Net financial assets/(liabilities)	28,074	(1,541)	(7,000)	(5,354)	14,179

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%				

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

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

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 Statement for the year ended 30 June 2005 continued



22) FINANCIAL INSTRUMENTS continued

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

	2005		2004	
	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	28,074	28,074	15,957	15,957
- Receivables	4,767	4,767	1,512	1,512
- Traded investments	6,104	6,991	188	188
	<u>38,945</u>	<u>39,832</u>	<u>17,657</u>	<u>17,657</u>
Financial liabilities				
- Payables	16,225	16,225	10,191	10,191
- Other loans	8,541	8,541	6,407	6,407
	<u>24,766</u>	<u>24,766</u>	<u>16,598</u>	<u>16,598</u>

23) DIRECTORS AND EXECUTIVE DISCLOSURES

Directors

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

Executive Directors

- E Eshuys (appointed on 20 July 2004)
- S W Miller (removed as director and chairman on 20 July 2004)

Non-Executive Directors

- H G Tuten
- M K Wheatley
- S J C Wise (appointed Director and Chairman on 20 July 2004)
- R Knight (appointed Director on 25 May 2005)
- K A Dundo (resigned 18 July 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	Appointment date
R Kennedy	Chief Financial Officer & Company Secretary	27 October 2004
P Thompson	General Manager Exploration	16 December 2004
G Viska	General Manager Commercial	20 March 2005
M Reed	General Manager Operations	20 March 2005

In accordance with the Company's constitution, S J C Wise & R Knight are due for re-election at the 2005 Annual General Meeting.

There were no loans to directors of entities in the consolidated entity during the year to 30 June 2005.

Remuneration

Details of Director and Executive Remuneration are set out in the Directors' Report.

Shareholding

Relevant and beneficial 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 J C Wise	-	2,800,000	2,800,000
E Eshuys	-	1,250,000	1,250,000
R Knight	-	-	-
H G Tuten ¹	-	-	-
M K Wheatley	-	-	-
S W Miller ²	-	-	-
K A Dundo	-	-	-
Connected Persons			
Strata Mining Corporation Limited ²	32,200,000	(32,000,000)	-
RCF ¹	129,742,017	48,145,625	177,887,642

¹ H G Tuten is the Chairman of RCF Management LLC, the management company of RCF

² S W Miller is a director and shareholder of Strata Mining Corporation Limited which held a relevant interest in the ordinary share capital of St Barbara at the start of the year

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:

Ordinary Shares - fully paid	Balance at start of year	Movements during the year	Balance at end of year
S J C Wise	-	-	-
E Eshuys	-	35,000,000	35,000,000
R Knight	-	-	-
H G Tuten ¹	-	-	-
M K Wheatley	750,000	250,000	1,000,000
S W Miller	17,500,000	(17,500,000)	-
K A Dundo	-	-	-
Connected Persons			
RCF ¹	55,990,026	(3,127,347)	52,862,679

¹ H G Tuten is the Chairman of RCF Management L L C, the management company of RCF. During the year in accordance with a pre-existing agreement, RCF transferred 1,000,000 unlisted options, exercisable at 11¢ each and expiring 31 December 2005 to M K Wheatley.

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 Statement for the year ended 30 June 2005 continued



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

Remuneration for other services:

- Taxation service and general advice

Consolidated		Company	
30 June 2005	30 June 2004	30 June 2005	30 June 2004
\$	\$	\$	\$
126,632	117,786	126,632	74,486
108,726	29,200	108,726	17,200
235,358	146,986	235,358	91,686

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 financiers in respect of guarantees provided by the bankers to the Western Australian Department of Industry and Resources - see Note 7 (cash backing of bonds) and Note 16 (details of a bank guarantee facility)

Consolidated		Company	
30 June 2005	30 June 2004	30 June 2005	30 June 2004
\$'000	\$'000	\$'000	\$'000
32,754	3,068	32,754	2,725


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 claim by Westgold arises from a series of share transactions in the Company's 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 only \$991,931 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 principal causes of action in Westgold's statement of claim against the Company 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.
- 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 alleges to have been made in public releases made on or about 30 April 1997. Westgold alleges that the Company represented that, save for certain matters, the Company's operations were proceeding satisfactorily and that there were no further adverse factors affecting or likely to affect the Company's operations or financial position when in fact such was not the case.

All of these allegations are denied by St Barbara and the claim is being robustly defended. St Barbara has joined one of the directors who was a director of the Company at the time to the action and in the event that the Company is found liable (which is denied) it will seek contribution from such director.

The matter has been entered for trial but is not expected to receive a trial date until the first quarter of 2006.

The Company has incurred legal costs to date in the order of \$900,000 and will incur substantial further costs in relation to the preparation of the matter for trial and the trial itself. Such costs could escalate in the event that there is an appeal from the decision at first instance. 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. In early 2005, Kingstream obtained the leave of the Court to substitute the trustees of Kingstream Steel's Creditors Trust as plaintiffs in these proceedings.

Kingstream's claim against the Company and Zygot Ltd arises from the withdrawal by Zygot of three mining lease applications ("MLA's"). Kingstream alleges that these applications were 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 is seeking rectification of the supplemental Deed to include the applications on the basis that this was the common intention of the parties. Kingstream is seeking unquantified damages from the Company and Zygot.

The company denies that such was the common intention and denies that rectification is available. The proceedings are at an early stage and have been, and will continue to be, defended.

Notes to the Financial Statement for the year ended 30 June 2005 continued



26) COMMITMENTS FOR EXPENDITURE

a) Exploration

In order to maintain rights of tenure to mining tenements, the consolidated entity is required to outlay in 2004/05 for tenement rentals and minimum exploration expenditure requirements of the Western Australian Department of Industry and Resources. This requirement in 2004/05 will continue for future years with the amount dependent upon tenement holdings

Consolidated		Company	
30 June 2005	30 June 2004	30 June 2005	30 June 2004
\$'000	\$'000	\$'000	\$'000
13,746	2,669	13,746	1,762

b) Hire Purchase Commitments

Analysis of hire purchase commitments:

- Payable not later than one year (refer Note 16)
- Payable later than one year, not later than five years (refer Note 16)

76	188	76	188
-	75	-	75
76	263	76	263

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) Analysis of Non-Cancellable Operating Lease Commitments

- Payable not later than one year
- Payable later than one year, not later than two years

154	239	154	239
-	147	-	147
154	386	154	386

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

27) EMPLOYEES

a) Employment Benefit Liabilities

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

- Current (Note 17)
- Non-current (Note 17)

119	751	119	751
-	78	-	78
-	78	-	78
119	829	119	829

b) Number of Employees

Number of employees at financial year end

Number 2005	Number 2005	Number 2005	Number 2005
33	41	33	36

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 Option Plan

Shareholders approved an Employee Option Plan in November 2001. The term of options issued under the plan is five years and the vesting period is three years from the date of grant. A total of 2,000,000 options were issued under the plan during the year to 30 June 2005, with Directors exercising their discretion to issue them with a three year term and no vesting period. These options are cancelled when the employee leaves the Company. A total of 2,675,000 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 2005. As at 30 June 2005, there were 4,750,000 options on issue under the plan with exercise prices ranging from \$0.08 per share to \$0.35 per share and with expiry dates ranging from 31 August 2005 to 16 December 2007.

28) RELATED PARTIES

a) Directors and specified executives

Disclosures relating to directors and specified executives 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 \$nil (2004: \$61,733) to entities in the wholly owned group. Repayments and advances were received of \$545,000 (2004: nil) 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 2005 \$'000	30 June 2004 \$'000
Balance at beginning of financial year	(216)	16,848
- net funding advanced for exploration and all other activities on normal commercial terms	(119)	(1,703)
- shares issued in satisfaction of debt	-	(17,600)
- administration service fee	120	1,398
- interest	-	841
- repayment	215	-
	-	(216)

The loan was repaid in full during the year. NuStar is no longer a controlled entity, and no further loans will be provided.

Notes to the Financial Statement for the year ended 30 June 2005 continued



28) RELATED PARTIES continued

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

Aggregate amounts receivable at balance date from:

Non-current:

Entities in the wholly-owned group

Less provision for doubtful receivables

Aggregate amounts payable at balance date to:

Current:

Controlled entities

Non-current:

Entities in the wholly-owned group

		Company	
		30 June 2005	30 June 2004
		\$'000	\$'000
Entities in the wholly-owned group		2,225	2,770
Less provision for doubtful receivables		(1,630)	(1,630)
		<u>595</u>	<u>1,140</u>
Controlled entities		-	216
Entities in the wholly-owned group		<u>11,401</u>	<u>11,484</u>

e) Amounts receivable from Director related entities

At 30 June 2005, there were no amounts receivable from Director related entities.

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:

		Consolidated and Company	
		30 June 2005	30 June 2004
		\$	\$
Director	Notes		
K A Dundo	1	2,030	4,243
H G Tuten	2	262,323	8,249,863

¹ K A Dundo was a non-executive director of the Company up to the date of his resignation on 18 July 2004. K A Dundo is also a partner of the legal firm, Q Legal. For the month of July 2004, Q Legal invoiced the Company for legal services provided at normal commercial rates, amounting to \$2,030 plus GST and disbursements.

² Paid to RCF in 2005 in respect of borrowing costs relating to finance facilities and in 2004 by way of issuance of shares and options as required under the RCF Facility. H G 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 2005	June 2004	June 2005	June 2004
		%	%	\$'000	\$'000
Australian Eagle Oil Co Pty Ltd	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 Pty Ltd	Ordinary	100	100	-	-
NuStar Mining Corporation Limited ¹	Ordinary	6.4	54.8	-	38,138
Bushsun Pty Ltd* ¹	Ordinary	6.4	54.8	-	-
				179	38,317

* 100% subsidiary of NuStar

Each company in the consolidated entity was incorporated in Australia.

¹ The Company ceased consolidating NuStar on 30 September 2004 when it reduced its equity position to 44.72%. This equity position was progressively reduced through the financial year and at 30 June 2005 was 6.4%. Subsequent to 30 June 2005 the remaining holding was disposed of. The aggregate loss on the deconsolidation of NuStar was \$272,000.

Notes to the Financial Statement for the year ended 30 June 2005 continued



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

	Consolidated		Company	
	30 June 2005	30 June 2004	30 June 2005	30 June 2004
	\$	\$	\$	\$
Operating loss after income tax	(6,697)	(25,228)	(5,559)	(31,929)
Depreciation and amortisation	8,093	2,726	8,093	2,721
Provision for diminution in investments and assets	1,023	312	773	12,348
Write down of exploration tenements	775	318	775	318
Provision for diminution of exploration tenements	-	5,256	-	5,256
(Profit)/ loss on sale of property, plant and equipment	(2,795)	2,462	(2,279)	2,462
Profit on sale of shares	(2,915)	(93)	(2,915)	(93)
Borrowing expenses paid with shares	-	1,707	-	1,707
Convertible note borrowing cost	-	739	-	739
Interest on NuStar loan account	-	-	-	(841)
NuStar administration service fee	-	-	-	(182)
Provision for non-recovery of subsidiary loan	-	-	-	270
Loss on subsidiary becoming an associate	272	-	-	-
Share of net loss of associate	577	-	-	-
Provision for doubtful debts	78	-	78	-
Provision for rehabilitation	(34)	-	(34)	-
Changes in assets and liabilities:				
- Decrease in trade and other debtors	(3,100)	2,676	(4,450)	3,314
- Decrease in inventories	1,059	3,487	1,059	3,487
- Decrease in other assets	(949)	620	(980)	620
Increase in trade and other creditors, employee entitlements and provisions	4,146	(3,624)	9,563	(4,460)
Net cash (used in)/provided by operating activities	(467)	(8,642)	4,124	(4,263)

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 2005

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

- The conversion by Ocean Resources Capital Holdings plc (Ocean) of the face value of its convertible note of \$4,400,000 into 55,000,000 ordinary shares on 15 July 2004.
- On 20 July 2004, the Company issued 17,480,547 fully paid ordinary shares to Ocean in satisfaction of interest of \$804,105.
- On 1 December 2004, the Company issued 21,554,172 fully paid ordinary shares to Resource Capital Fund to convert an unsecured advance of \$1,200,000 to equity as approved at the 2005 Annual General Meeting.
- On 17 January 2005, the Company completed a share buy-back of 170,291,977 fully paid ordinary shares and in consideration transferred to accepting shareholders 212,864,971 fully paid NuStar shares.



Year ended 30 June 2004

During the 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 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.

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) LOSS PER SHARE

	Consolidated	
	30 June 2005	30 June 2005
	cents/share	cents/share
Basic and diluted loss per share	(1.04)	(4.70)
	\$'000	\$'000
Retained loss for the year used in the calculation of basic earnings per share	(6,697)	(24,315)
	Number	Number
Weighted average number of fully paid ordinary shares on issue during the year used in the calculation of basic loss per share	644,018,641	517,843,596
Weighted average number of fully paid ordinary shares on issue during the year used in the calculation of diluted loss per share	644,018,641	517,843,596

33) EVENTS OCCURRING AFTER BALANCE DATE

On 26 July 2005, the Company announced:

- Extension to operations at Southern Cross based on open pit mining of Hercules and continuing underground operations at Marvel Loch;
- An on-market share buy-back to buy back up to 10% of the Company's issued capital (56,653,335 shares); and
- The proposed sale of unmarketable parcels of shares.

On 27 July 2005, the Company sold its remaining shares in NuStar (63,325,359 shares) and Sedimentary (15,412,082 shares) for \$3,166,268 and \$2,851,234 respectively, yielding total proceeds of \$6M.

On 9 August 2005, the Company announced a reserve estimate upgrade for Hercules, near Marvel Loch, Southern Cross as at 30 June 2005 using a gold price of A\$550/oz and cut-off grade of 1.1g/t, to Probable Reserves of 2.3Mt at 2.5g/t for 180,000oz of gold.

Notes to the Financial Statement for the year ended 30 June 2005 continued



34) BUSINESS COMBINATION

On 28 March 2005, the Company acquired the Gold Division of Sons of Gwalia Ltd (Administrators Appointed) for consideration consisting of a cash payment of \$2,285,000, the replacement of existing bank guaranteed environmental performance bonds totalling \$30,000,000 and the assumption of additional performance bonds of up to \$5,700,000. The fair value of net identifiable assets acquired was \$2,925,000. Direct transaction costs of \$640,000 were also incurred.

Details of the assets and liabilities arising from the acquisition are as follows:

	<u>\$'000</u>
Property, plant and equipment	19,762
Inventories	4,730
Prepayments	285
Mining properties	13,068
Provision for rehabilitation	<u>(34,920)</u>
Net identifiable assets acquired	<u>2,925</u>

35) AUSTRALIAN EQUIVALENTS TO IFRS

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

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

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

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

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

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

The Alternative Investment Market of the London Stock Exchange, on which the Company is listed, requires a reconciliation of the effect of applying IFRS for the year ended 30 June 2005 on net profit and equity where IFRS are considered to be materially different to Australian Generally Accepted Accounting Principles ("AGAAP"). This requirement has been addressed in the reconciliation below.



	Notes	Consolidated		Company	
		30 June	30 June	30 June	30 June
		2005	2004	2005	2004
		\$000	\$000	\$000	\$000
Adjustments Required on Implementation of IFRS 30 June 2005					
a) Reconciliation of equity as presented under AGAAP to that under AIFRS					
Total equity under AGAAP		20,073	44,852	8,586	13,383
Adjustments to accumulated losses (net of tax)					
Share based payment expense	i	(664)	-	(664)	-
Revaluation of available for sale investments	v	773	-	773	-
Accounting for impairment of assets	iii	(14,192)	(14,192)	-	-
Profit on deconsolidation of controlled entity	iii	14,192	-	-	-
		109	(14,192)	109	-
Adjustments to other reserves (net of tax)					
Share based payment reserve	i	664	-	664	-
Investments fair value reserve	v	113	-	113	-
		777	-	777	-
Total equity under AIFRS		20,959	30,660	9,472	13,383
b) Reconciliation of net loss as presented under AGAAP to that under AIFRS					
Net loss attributable to members of the Company as reported under AGAAP		(6,697)	(24,315)	(5,559)	(31,929)
Adjustments to net loss					
Share based payment expense	i	(664)	-	(664)	-
Revaluation of investments available for sale	v	773	-	773	-
Profit on deconsolidation of controlled entity	iii	14,192	-	-	-
Accounting for impairment of assets		-	(5,621)	-	-
Net loss attributable to outside equity interests		-	6,369	-	-
Net loss attributable to members of the Company under AIFRS		7,604	(23,567)	(5,450)	(31,929)

Notes to the Financial Statement for the year ended 30 June 2005 continued



Notes Explaining the Impact of Adopting AIFRS

i) Equity-based compensation benefits

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

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

ii) Non-current assets held for sale

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

iii) Impairment of assets

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

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

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

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

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

v) Financial instruments

AASB 139 is likely to have the following impacts:

Classification and measurement of financial assets and liabilities

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

Under AASB 139:

- Investments in traded equity securities as at 30 June 2005 would be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised.
- Receivables and financial liabilities classifications will remain unchanged. Measurement of these instruments will initially be at fair value with subsequent measurement at amortised cost, using the effective interest rate method. This will result in a change of the current accounting policy, under which financial assets are carried at the lower of cost and recoverable amount, with changes recognised in profit or loss.

vi) Income tax

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

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

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

vii) Exploration and evaluation

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

Directors' Declaration



In the directors' opinion:

- a) the financial statements and notes set out on pages 38 to 71 are in accordance with the *Corporations Act 2001*, including:
 - i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cashflows, for the financial year ended on that date; 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; and
- c) the remuneration disclosures set out on pages 28 to 34 of the Directors Report comply with Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities and the Corporations Regulations 2001.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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

Eduard Eshuys
Director

Perth, 30 September 2005

Independent audit report to the members of St Barbara Mines Limited

Audit opinion

In our opinion:

1. 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 2005, and of their performance for the year ended on that date;
 - is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*; and
2. the remuneration disclosures that are contained in pages 28 to 34 of the directors' report comply with Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities* (AASB 1046) and the *Corporations Regulations 2001*.

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

Scope

The financial report, remuneration disclosures 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 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 1046, under the heading "Remuneration Report" on pages 28 to 34 of the directors' report, as permitted by the *Corporations Regulations 2001*.

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. The directors are also responsible for the remuneration disclosures contained in the directors' report. **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 and the remuneration disclosures comply with AASB 1046 and the *Corporations Regulations 2001*. 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. For further explanation of an audit, visit our website

<http://www.pwc.com/au/financialstatementaudit>.

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 also performed procedures to assess whether the remuneration disclosures comply with AASB 1046 and the *Corporations Regulations 2001*.

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 remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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 Perth
Partner

1 October 2005

Statement of Shareholders as at 19 September 2005



Twenty Largest Shareholders		Shares Held	% of Total
1	Resource Capital Fund II LP	177,887,642	31.40
2	Westpac Custodian Nominees Limited	91,142,755	16.09
3	ANZ Nominees Limited	9,157,533	1.62
4	National Nominees Limited	7,702,800	1.36
5	Saracen Mineral Holdings Limited	6,000,000	1.06
6	Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation	5,600,000	0.99
7	Gee Nominees Pty Ltd	5,000,000	0.88
8	Mr Yoshihito Koguchi	3,210,000	0.57
9	Colin Wise Consulting Pty Ltd	3,100,000	0.55
10	HSBC Custody Nominees (Australia) Limited	3,000,000	0.53
11	Miroma Investment Inc	2,737,449	0.48
12	Simpson Podiatry Services Pty Ltd	2,440,000	0.43
13	Citicorp Nominees Pty Limited	2,223,534	0.39
14	Mr Ritesh Mistry	2,220,000	0.39
15	Mr Koichi Sugimura	2,150,000	0.38
16	Mr Andrew Podgornik	2,060,000	0.36
17	Gull Management Pty Ltd	2,000,000	0.35
18	WG Holding Co Pty Ltd	2,000,000	0.35
19	Balcony Developments Pty Ltd	1,948,400	0.34
20	Mr Paul Varrone & Mrs Jennifer Viviette Varrone	1,700,000	0.30

Substantial Shareholders		Shares Held	% of Total
Resource Capital Fund II LP		177,887,642	31.40
St James' Place Recovery Trust		40,430,000	5.65

Distribution of Shareholdings		
Number Held	Number of Shareholders	Number of Shares
1 - 1,000	3,364	2,017,589
1,001 - 5,000	3,343	8,603,205
5,001 - 10,000	1,181	9,861,794
10,001 - 100,000	2,231	83,457,687
100,001 - and over	436	462,593,077
	10,555	566,533,352

The number of shareholders holding less than a marketable parcel was 4,241.

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 of the Company, or in a related corporation, was as follows:

	Shares Held
S J C Wise	3,100,000
E Eshuys	1,250,000
R Knight	-
H G Tuten	177,887,642
M K Wheatley	-

Shareholder Information as at 19 September 2005



Share Price

The Company shares were listed on the Australian Stock Exchange during the 2004/05 year. The closing share price on 30 June 2005 and on 19 September 2005 was 10 cents and 33 cents respectively.

Announcements

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

Date	Announcement
15/09/05	Appendix 3E On-Market Share Buy-Back
13/09/05	Appendix 3E On-Market Share Buy-Back
12/09/05	Appendix 3E On-Market Share Buy-Back
02/09/05	Appendix 3Y for Colin Wise
31/08/05	Preliminary Financial Results
28/08/08	Amended Drilling Result
24/08/08	High Grade Drilling Results
09/08/08	Diggers & Dealers Presentation
09/08/05	Hercules Reserve Upgrade
03/08/05	Sale of Unmarketable Parcels
01/08/05	Appendix 3D Changes to Buy-Back
28/07/05	Sale of NuStar & Sedimentary Shareholdings
26/07/05	Hercules, Buy-Back & Unmarketable Parcels
19/07/05	June 2005 Quarterly Report
28/06/05	Corporate File Briefing
27/05/05	Appendix 3X for Richard Knight
27/05/05	Appointment of Richard Knight as Director
26/05/05	Form 604 - St Barbara holding in NuStar Mining Corporation
28/04/05	Sydney Presentation to Investors
27/04/05	March 2005 Quarterly Report
30/03/05	Appendix 3Y for Colin Wise
23/03/05	Melbourne Presentation to Investors
21/03/05	Trading Halt
21/03/05	Acquisition of Sons of Gwalia Gold Division Assets
16/03/05	Response to ASX Query
28/02/05	2004/05 Interim Financial Results
07/02/05	Further High Grade Gold Drill Hole Intersections
02/02/05	Appendix 3Y for Eduard Eshuys
01/02/05	Form 604 - St Barbara holding in NuStar Mining Corporation
01/02/05	Form 604 - St Barbara holding in Sedimentary Holdings
01/02/05	Information Summary
27/01/05	Form 604 - Resource Capital Fund holding in St Barbara
25/01/05	Appendix 3Y for Eduard Eshuys
21/01/05	Sedimentary Offer
21/01/05	Form 604 - St Barbara holding in NuStar Mining Corporation
21/01/05	Confirmation of cancellation of shares
18/01/05	December 2004 Quarterly Report
18/01/05	Results of Buy-Back Offer



Date	Announcement
22/12/04	Shareholders Update
15/12/04	Dispatch of Buy-Back Booklet
10/12/04	Buy-Back Booklet
10/12/04	Appendix 3Y for Colin Wise
07/12/04	Appendix 3Y for Hank Tuten
06/12/04	Appendix 3Y for Colin Wise
06/12/04	Form 604 - Excalibur Mining holding in St Barbara
03/12/04	Form 604 - Resource Capital Fund holding in St Barbara
03/12/04	Form 604 - Ocean Resource Capital holding in St Barbara
02/12/04	Share Buy-Back Offer
02/12/04	Appendix 3B Notice
29/11/04	AGM Results
29/11/04	AGM Presentation
29/11/04	AGM Chairman's Address
26/11/04	Form 604 - NuStar Mining Corporation holding in St Barbara
24/11/04	Form 604 - NuStar Mining Corporation holding in St Barbara
19/11/04	Form 604 - Ocean Resource Capital holding in St Barbara
27/10/04	September 2004 Quarterly Report
27/10/04	2004 Notice of Meeting and Proxy Form
27/10/04	2004 Annual Report to Shareholders
25/10/04	Appendix 3Y for Colin Wise
21/10/04	Exploration Drilling to Recommence at Meekatharra
07/10/04	Form 603 - NuStar Mining Corporation holding in St Barbara
01/10/04	Confirm sale of NuStar Mining Corporation shares and Paulsen's Royalty
30/09/04	30 June 2004 Financial Report
27/09/04	Presentation to Tokyo Investors
20/09/04	NuStar Mining Corporation Transaction
31/08/04	June 2004 Preliminary Final Report
26/08/04	Form 604 - Ocean Resource Capital holding in St Barbara
12/08/04	Settlement with Former Executive Chairman
03/08/04	Appendix 3Z for Stephen Miller and Kevin Dundo
30/07/04	June 2004 Quarterly Report
27/07/04	Appendix 3Y for Hank Tuten
26/07/04	Appendix 3Y for Eduard Eshuys and Colin Wise
23/07/04	Appendix 3B - Ocean Resource Capital
23/07/04	Issue and allotment of shares
23/07/04	Changes to St Barbara Board
20/07/04	Results of General Meeting
20/07/04	Issue and allotment of shares
19/07/04	Resignation of Kevin Dundo
15/07/04	Conversion convertible notes

Shareholder Information as at 19 September 2005 continued



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 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:

Level 2, 16 Ord Street
West Perth WA 6005
Telephone: +61 8 9476 5555
Facsimile: +61 8 9476 5500
E-mail: perth@stbarbara.com.au
Web site: www.stbarbara.com.au

Shareholder Enquiries

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

Australia
Advanced Share Registry Services
110 Stirling Hwy
Nedlands WA 6009
Telephone: +61 8 9389 8033
Facsimile: +61 8 9389 7871

or

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

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Board of Directors

S J Colin Wise (Non Executive Chairman)
Eduard Eshuys (Managing Director and CEO)
Richard Knight (Non Executive Director)
Hank G Tuten (Non Executive Director)
Mark K Wheatley (Non Executive Director)

Company Secretary

Ross J Kennedy

Registered Office

Level 2, 16 Ord Street
West Perth WA 6005
Telephone: +61 8 9476 5555
Facsimile: +61 8 9476 5500
E-mail: perth@stbarbara.com.au
Web site: www.stbarbara.com.au

Share Registry

Australia

Advanced Share Registry Services
110 Stirling Hwy
Nedlands WA 6009

Telephone: +61 8 9389 8033
Facsimile: +61 8 9389 7871

United Kingdom

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

Bankers

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

Auditors

PricewaterhouseCoopers
QV1 Building
250 St George's Terrace
Perth WA 6000

Solicitors

Freehills
QV1 Building
250 St George's Terrace
Perth WA 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



www.stbarbara.com.au



St Barbara Mines Limited