2006 Annual Report

St Barbara Limited

Kununurra
Broome
Pt Hedland
Newman
Carnarvon
Plutonic
Scorpion-Scorpayle
Mercator
(SBM 20.6%)
Meekatharra
Jundee
Wiluna
Mt Keith
Cosmos
Leinster
Bronzewing
Lake Wells
Leonora
Thunderbox
Tarmoola
Gwalia
Laverton
Granny Smith
Sunrise Dam
Saracen
(SBM 19.9%)
Hill 50
Geraldton
Kanowna Belle
Kalgoorlie
Kambalda
St Ives
Southern Cross
Marvel Loch
PERTH
Forrestania
Norseman
Bunbury
Ravensthorpe
Esperance
Albany
200km
SBM Land Holding
Gold Deposit
Nickel Deposit

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Chairman's Letter

Colin Wise
Chairman

Dear Shareholder

The resurgence of St Barbara continued during the 2006 financial year. At year-end, the Company was in a sound financial position, had an expanded management team in place or in the course of being recruited, was producing gold from Southern Cross Operations at the annual rate of 165,000 ounces, and held a strong land position on which to base future exploration – both in the vicinity of Company operations, and greenfields.

The former Sons of Gwalia gold assets have been rejuvenated, with the Company advancing its objective of establishing long-life mines for Gwalia Deeps at Leonora and Marvel Loch at Southern Cross. The resource at Tarmoola is also in the feasibility phase.

The rising gold price enhanced the Company's progress. The average price received during the year was A$694/oz. Cash flows generated by Southern Cross gold production funded exploration activities and mine development at Gwalia Deeps. Strong market conditions provided an opportunity to divest the Meekatharra and South Laverton projects on favourable terms.

Finance for the March 2005 purchase of the Sons of Gwalia gold division (provided by a A$7 million convertible note issued to Resource Capital Fund III LP), was converted to equity in March 2006, enabling the Company to retire all secured borrowings.

In May 2006, with the gold price rising to A$924/oz, and with strong demand for our shares, a placement of 99 million shares was made at 60¢/share, raising a net A$57 million. A number of significant international and local institutions are now shareholders. Their presence on the register represents an important recognition of St Barbara's improved standing as a mid-sized gold mining company. The Company is now included in Standard & Poors ASX300 Index.

The improvement in the Company's standing and the current opportunities for growth, reflect well on the hard work and achievements of Eduard Eshuys, his management team and St Barbara's workforce. Particular mention is made of the successful integration into the new St Barbara culture of Sons of Gwalia personnel who joined the Company last year.

The development of Company activities has led to growth of the management team, in number and depth. St Barbara is actively engaging with government, local communities, indigenous groups and land owners in relation to these activities and future planning. All levels of the organisation from the Board of Directors down, maintain a vital interest in the safety of all employees and contractors and in enhancing the environment in which the Company is operating.

During 2006 the composition of the Board is undergoing change. In February we welcomed Doug Bailey as a non-executive director. In August Mark Wheatley resigned as a non-executive director to take up a CEO role with another resources company. In September Richard Knight announced his retirement as a Director, to take effect in December 2006. We thank Mark and Richard for their contributions and wish them well. Replacement non executive directors are now being sought.

History demonstrates that buoyant gold price environments do not last indefinitely. The strong financial position of the Company provides a springboard for our planned acceleration of the development of two potentially long life gold operations – Gwalia Deeps at Leonora and Marvel Loch at Southern Cross. We also plan to spend A$20.2 million on exploration during the 2007 financial year - a significant amount for a company of St Barbara's current size.

We have commenced the 2007 year with continued energy and commitment to develop St Barbara into a significant Australian gold producer and explorer.

Colin Wise
Chairman

29 September 2006

Managing Director's Review

Eduard Eshuys
Managing Director & CEO

St Barbara has successfully integrated the gold assets acquired from Sons of Gwalia in 2005, and refinanced the Company through the timely sale of assets and equity raisings.

As a consequence, St Barbara has re-established itself as a gold producer and is well placed to look to the future and pursue success in its operations, development, exploration and corporate activities.

Success during the year was achieved by:

- Generating a profit after tax of A$6 million.
- Gold operations producing 166,000 ounces at a cash cost of A$443/oz and generating a cash surplus of A$66.4 million before capital and exploration expenses.
- Divestment of Meekatharra and South Laverton assets at a combined profit of A$19.6 million, with the Company now holding a 19.9% interest in Saracen Mineral Holdings Ltd and 20.6% interest in Mercator Gold plc with a combined market value of A$30 million.
- Reducing environmental bonds by A$12.2 million.
- Increasing reserves by 1 million ounces and replacing the production during the year with increases at both Gwalia Deeps at Leonora and at Southern Cross.
- Raising A$67.2 million of new capital from the exercise of options and a placement of 99 million shares at 60¢.
- Introducing institutional investors on to the share register through the sell down of Resource Capital Fund's holding to 22.4%.
- Recruiting experienced technical and financial professionals to support the operations, development and exploration activities. An emphasis on recruitment of graduates has also occurred.
- Improving safety performance during the course of the year with 120 LTI free days as at 30 June 2006. This improved performance has continued into the current year.
- Improving environmental and rehabilitation management and introducing a comprehensive data base and management system.
- Establishing a land management system to assist access to additional land at Southern Cross, Leonora and other areas of interest.
- Establishing the BigGold Study to identify world-class gold deposits in areas adjacent to highly endowed gold geology and gold production districts in Australia.

Safety

The All Injuries Frequency Rate for the Company of 12.5 compares with an Industry average of 11.6 and requires improvement. Safety initiatives are concentrating on observing behaviours and increasing managerial inspections of work areas to raise the profile of safe production. Competency based training is also targeting improvement in the areas of manual handling, hazard identification and job safety analysis and incident investigation.

Environment

Re-establishing local fauna where practicable is an important element in rehabilitating former mining sites inherited as part of the purchase of the Sons of Gwalia gold assets.

Other ongoing environmental activities include water sampling, fauna surveys, energy generation and efficiency programs, pollution prevention, community liaison and environmental education.

Community

The Company is reconnecting with local communities in the Leonora and Southern Cross regions, to provide a deeper understanding of the Company's plans, listen to issues of community interest, and promote community interaction.

Meetings have taken place during the year with local indigenous groups, shire councils and members of the local community.

Strategy for Growth

Our principal objective is to establish St Barbara as a 1 million ounces per annum producer with a cash cost margin of at least A$200/oz, and have reserves of 10 million ounces by mid 2010, or four years from now.

Managing Director's Review cont

Eduard Eshuys and Shane McLeay inspecting Raise Bore machine, 375 level Gwalia Deeps

Achieving this growth and time frame will require focus on:

- exploration success at Leonora and Southern Cross;
- continued conversion of resources to reserves;
- An increase in gold production to approximately 220,000- 230,000 ounces per annum (and an improvement to related operating costs) at Marvel Loch Underground and open pits at the Southern Cross Operations;
- Development of Gwalia Deeps to commence production during 2008 at a rate of 150,000 ounces per annum;
- Acquisitions with a gold bias of corporates or assets which are either producing 150,000 ounces per annum or the equivalent, or have the potential to do so, with cash margins in excess of A$200/oz; and
- A large-scale grass roots discovery either within the Company's existing land holdings or elsewhere in Australia.

Our interim objective of producing 450,000 ounces per annum at a cash cost of A$465/oz commencing during 2008, or two years from now, will include the following:

- Geologists and mining engineers are dedicated to validating and seeking to extend existing resources at Leonora and Southern Cross to develop open pit reserves.
  - Leonora and Southern Cross land holdings of the Company have total historical production and existing resources of 13 million ounces and 12 million ounces respectively. Analysis of past exploration activity shows that exploration over the past three decades by previous owners has only been 30% effective largely due to the past drilling generally being too shallow, and an apparent lack of understanding of the regolith and geology.
- Improvements in production at Southern Cross are likely to come from expanding underground production at Marvel Loch (which was 315,000 tonnes for 2005/06) up to 800,000 tonnes per annum over the next two to three years. Results to date suggest that Reserves may extend below the current depth of 500m below surface. Development of a possible five-year mine plan is in progress.
- Gwalia Deeps Hoover Decline is now at a vertical depth of 500m below surface, on its way to the top of the Deeps at 1,100m below surface. This high-speed development of the decline advance (approximately 2,400m per year for a single heading) should enable the decline to reach the Deeps towards the end of 2007.
- Steady state production at Gwalia Deeps is projected to be approximately 500,000 tonnes per annum which at the reserve grade of 9.0g/t will produce 145,000-150,000 ounces per annum, subject to confirmation in the Final Feasibility Study.
- Future production at Tarmoola is being assessed and remains subject to confirmation in the Final Feasibility Study.

A number of potential acquisition opportunities have been identified and are being analysed. These contemplate additional annual production of 150,000 ounces or the equivalent, with a cash margin in excess of A$200/oz, and may include merger or takeover of corporates, purchase of assets or joint ventures.

The BigGold Study, designed to lead to the discovery of world class gold deposits undercover in Australia, has identified some 49 target areas on which research of past exploration activity is being conducted. Areas are being ranked based on depth of cover preferably less than 200m, mineral endowment of adjacent districts with historical production and evidence of favourable geological settings.

Conclusion

Considerable progress has been achieved in rebuilding the Company during the year and a solid platform for establishing long life gold operations at Leonora and Southern Cross has been established. This could not have been achieved without the dedicated and disciplined effort by all the Company's employees and contractors who were very ably lead by senior management.

Eduard Eshuys
Managing Director & CEO

29 September 2006

Reserves & Resources Statements

Proven & Probable Reserves Statement at 30 June 2006

REGION	PROVEN			PROBABLE			TOTAL		
	kTonnes	Au g/t	koz	kTonnes	Au g/t	koz	kTonnes	Au g/t	Koz
Southern Cross									
Marvel Loch	98	5.1	15	1,300	4.0	175	1,400	4.2	190
Hercules				830	3.1	84	830	3.1	84
Other	190	1.9	12	1,400	0.8	36	1,600	0.9	48
Total Southern Cross	**290**	**2.9**	**27**	**3,600**	**2.6**	**300**	**3,900**	**2.6**	**320**
Leonora									
Gwalia				3,100	9.0	885	3,100	9.0	885
TOTAL ALL AREAS	**290**	**2.9**	**27**	**6,700**	**5.5**	**1,200**	**6,000**	**5.4**	**1,200**

Notes – **Southern Cross:**

1) Information in this report that relates to Southern Cross Ore Reserves is based on information compiled by Mr Sam Larritt (Marvel Loch) and Mr Allan Blair (Hercules) who are Members or Fellows of the Australasian Institute of Mining and Metallurgy. Mr Larritt is a full-time employee of the Company and Mr Blair is employed by Snowden Mining Industry Consultants. Mr Larritt and Mr Blair 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 Larritt and Mr Blair consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.
2) A gold price of A$550/oz and cut-off grade of 1.1g/t has been used for the Reserve estimation.
3) Estimated processing recovery for Southern Cross is 90%.
4) All data is rounded to two significant digits. Discrepancies in summations will occur due to rounding.

Notes – **Leonora:**

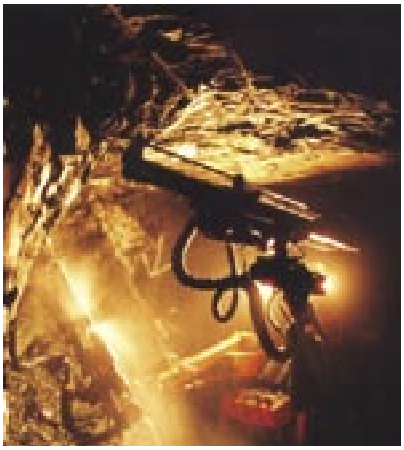
1) The information in this report that relates to Gwalia Deeps Ore Reserve is based on information compiled by Messrs Stephen Miller and Martin Reed, who are members of the Australasian Institute of Mining and Metallurgy. Messrs Miller and Reed are consultants to St Barbara Limited and have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Messrs Miller and Reed consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.
2) The mining reserve includes dilution of 10% to 15% at 0.0g/t Au depending on stope size. Dilution is applied by factoring the final design stope shape volume and tonnes but not increasing contained metal.
3) A mining recovery factor of 95% after dilution is applied.
4) A cut-off grade of 4g/t Au has been applied.
5) A gold price of A$650/ounce has been used for the Reserve estimation.
6) For planning purposes a processing recovery of 95% has been used.
7) All data is rounded to two significant digits. Discrepancies in summations will occur due to rounding.

Mineral Resource (including Reserves) Statement at 30 June 2006

REGION	MEASURED			INDICATED			INFERRED			TOTAL		
	kTonnes	Au g/t	koz	kTonnes	Au g/t	koz	kTonnes	Au g/t	Koz	kTonnes	Au g/t	koz
Southern Cross												
Marvel Loch	560	5.4	99	2,500	4.1	330	980	5.1	160	4000	4.6	590
Yilgarn Star				390	6.6	82	1,100	3.2	110	1,500	3.9	190
Hercules				1,500	2.8	130				1,500	2.8	130
Other	190	1.8	11	4,600	2.4	350	4,700	2.9	440	9,500	2.6	800
	750	**4.6**	**110**	**8,900**	**3.1**	**890**	**6,800**	**3.3**	**710**	**16,000**	**3.2**	**1,700**
Leonora												
Gwalia				3,900	8.9	1,100	6,400	6.8	1,400	10,000	8.1	2,600
Tarmoola	12,000	0.9	350	46,000	1.2	1,800				58,000	1.1	2,100
Other	1,000	0.9	30	5,100	1.2	200	6,600	2.4	500	13,000	1.7	700
Celtic/Wonder[4]				1,200	1.8	68				1,200	1.8	68
	13,000	0.9	380	56,000	1.8	3,200	13,000	4.5	1,900	82,000	2.1	5,500
TOTAL ALL AREAS	**14,000**	**1.1**	**490**	**65,000**	**2.0**	**4,100**	**20,000**	**4.0**	**2,600**	**99,000**	**2.3**	**7,200**

Notes:

1) The information contained in this report relating to Mineral Resources has been compiled by Ms Jane Bateman and Mr Peter Thompson. Ms Bateman and Mr Thompson are Members of the Australasian Institute of Mining and Metallurgy and are full time employees of the company. Ms Bateman 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 in the 2004 edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'. Ms Bateman 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.
2) All data have been rounded to two significant figures.
3) Discrepancies in summations will occur due to rounding.
4) The Celtic and Wonder Prospects were sold to Terrain Minerals Ltd on 14 July 2006.



Operations

The Company's strategic focus has been to sustain and extend the life of the Southern Cross Operations, develop new operations at Leonora, and explore for gold, nickel and copper in Australia.

Southern Cross Operations

The Southern Cross Operations are centred at Marvel Loch, 30km south of the town of Southern Cross and 360km east of Perth, Western Australia. Current operations are based on the Marvel Loch underground mine and the Hercules open pit.

Marvel Loch

The Marvel Loch underground mine is adjacent to the processing plant. Gold mineralisation extends over a 1.3km strike length and has been defined to depths of over 500m.

The lodes being mined include:

- Sherwood and Undaunted at the North;
- Firelight and Exhibition at the Centre; and
- East and New at the South.

Mining methods include uphole benching and open stoping with rock fill, where necessary.

The underground mine is scheduled to deliver 0.4 million tonnes during the 2006-07 year. The production rate is expected to rise in subsequent years as the mine is further developed.

A drilling program from underground has the objective of outlining extensions to reserves to 650m below surface.

Hercules

Open pit mining at Hercules, 12km south of the Marvel Loch Processing Plant is in progress.

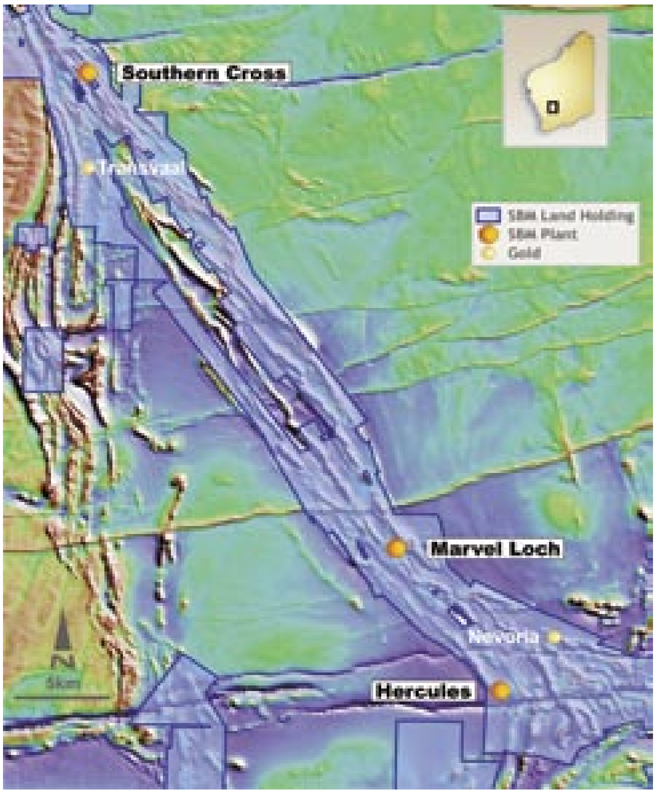
Other

Other mineral resources currently being reviewed include Transvaal and Parbo-Nevoria. These resources may be drilled with a view to including any resultant reserves in the mining schedule for Southern Cross in the 2007/08 period. Meanwhile, there are sufficient low grade stockpiles to blend with the underground ore to continue operating the processing plant at full capacity until mid 2008, as part of the three year mine plan.

The processing plant located at Marvel Loch treated a total of 2.4 million tonnes for the 12 months to June 2006 at a grade of 2.4g/t.

Production Details		30 June 2006	30 June 2005
Open Pit	Million t	**1.33**	0.54
Grade	g/t	**2.10**	3.00
Underground	Million t	**0.32**	0.12
Grade	g/t	**5.70**	7.02
Stockpiles Processed	Million t	**0.71**	0.32
Grade	g/t	**1.30**	1.22
Ore Milled	Million t	**2.35**	0.98
Grade	g/t	**2.40**	3.05
Recovery	%	**91.00**	93.00
Gold Shipped	Million ozs	**0.17**	0.08
Cash Cost	$/oz	**443.00**	341.00

Gold production for 2006 was derived from a full year of Southern Cross Operations. For 2005, gold production commenced as from 1 April 2005 and was derived from both Southern Cross and South Laverton Operations.



Southern Cross Tenements

Development

Gwalia Deeps

The Sons of Gwalia gold mine has one of the longest operating histories and largest gold production records of all the Archaean lode-gold mines outside Kalgoorlie. Historic production and current resources total over 6 million ounces.

Hoover Decline development to extend Gwalia Deeps from 375m below surface recommenced during December 2005 quarter and is scheduled to reach 1,100m below surface during the March 2008 quarter. This development will allow stoping of Gwalia Deeps.

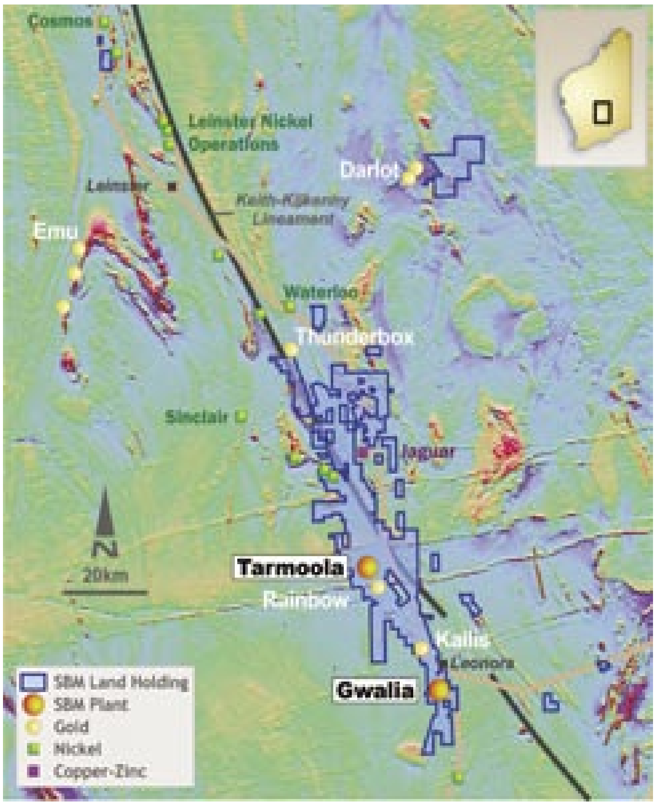
A Final Feasibility Study is in progress and is addressing all aspects of the planned operation including ventilation, haulage, backfill, power supply and geotechnical considerations.

The processing plant located at the Gwalia site was in operation until 2003 and is under care and maintenance. An assessment of the feasibility of refurbishing this plant and treating the ore from the underground mine is in progress.

Tarmoola

Tarmoola is located 30km northwest of the town of Leonora and the Gwalia Mine.

Mining was suspended in 2004. In July 2005 St Barbara commenced a detailed drilling program which resulted in an upgrade of the resource. A Final Feasibility Study is in progress, which is assessing the viability of recommencing operations at a scale of 5 million tonnes per annum. This would require an upgrade of the Tarmoola plant which is currently on care and maintenance.



Leonora Tenements

Preparing the face for next advance of Hoover Decline, 5.8m high by 6.0m wide

Exploration

The strategy for exploration has been to re-establish reserves, expand the resource base of the Company, as well as to make new discoveries.

Outcomes from the exploration activities from the 2005/06 year included:

- establishment of a Probable Ore Reserve for Gwalia Deeps of 3.1 million tonnes at 9.0g/t for 885,000 ounces of gold;
- increase in Marvel Loch Underground Reserves from Probable Ore Reserves of 240,000 tonnes at 6.0g/t for 46,000 ounces at 30 June 2005 to 1.4 million tonnes at 4.2g/t for 190,000 ounces of gold at 30 June 2006; and
- upgrading of Tarmoola Inferred Resources to Measured and Indicated.

In addition, regional exploration teams, focussing on surface deposits, have been established at both Southern Cross and Leonora.

A BigGold Study has been initiated to identify targets for world scale gold deposits within Australia.

Gwalia Deeps

During 2005 St Barbara conducted an extensive drilling campaign at Gwalia Deeps, utilising up to four surface diamond drill rigs at any one time, to allow ore reserves to be estimated. The current Mineral Resource estimate at Gwalia (Deeps and Intermediates) is 10 million tonnes at 8.1g/t for 2.6 million ounces of gold, including the newly established Probable Ore Reserve of 3.1 million tonnes at 9.0g/t containing 885,000 ounces of gold (all of this Reserve is within the Gwalia Deeps).

The Gwalia Deeps Probable Reserves occur within an Indicated and Inferred mineral resource estimate of 2 million ounces, representing a conversion rate of 44.3 per cent to date.

Historically, 3.95 million ounces of gold was mined at Gwalia down to a vertical depth of 1,100m, with mineralisation dipping at 40 degrees. Drilling by the Company using up to four surface diamond drill rigs and directional drilling technology has extended this mineralisation at depth, with resources below the old workings now totalling 7.5 million tonnes at 8.3g/t for 2 million ounces.

885,000 ounces of Reserves have been established below the current workings ("Gwalia Deeps") in the Main and South West Branch lodes down to a vertical depth of 1,550m, and deeper drilling has extended known mineralisation down to 1,900m vertically.

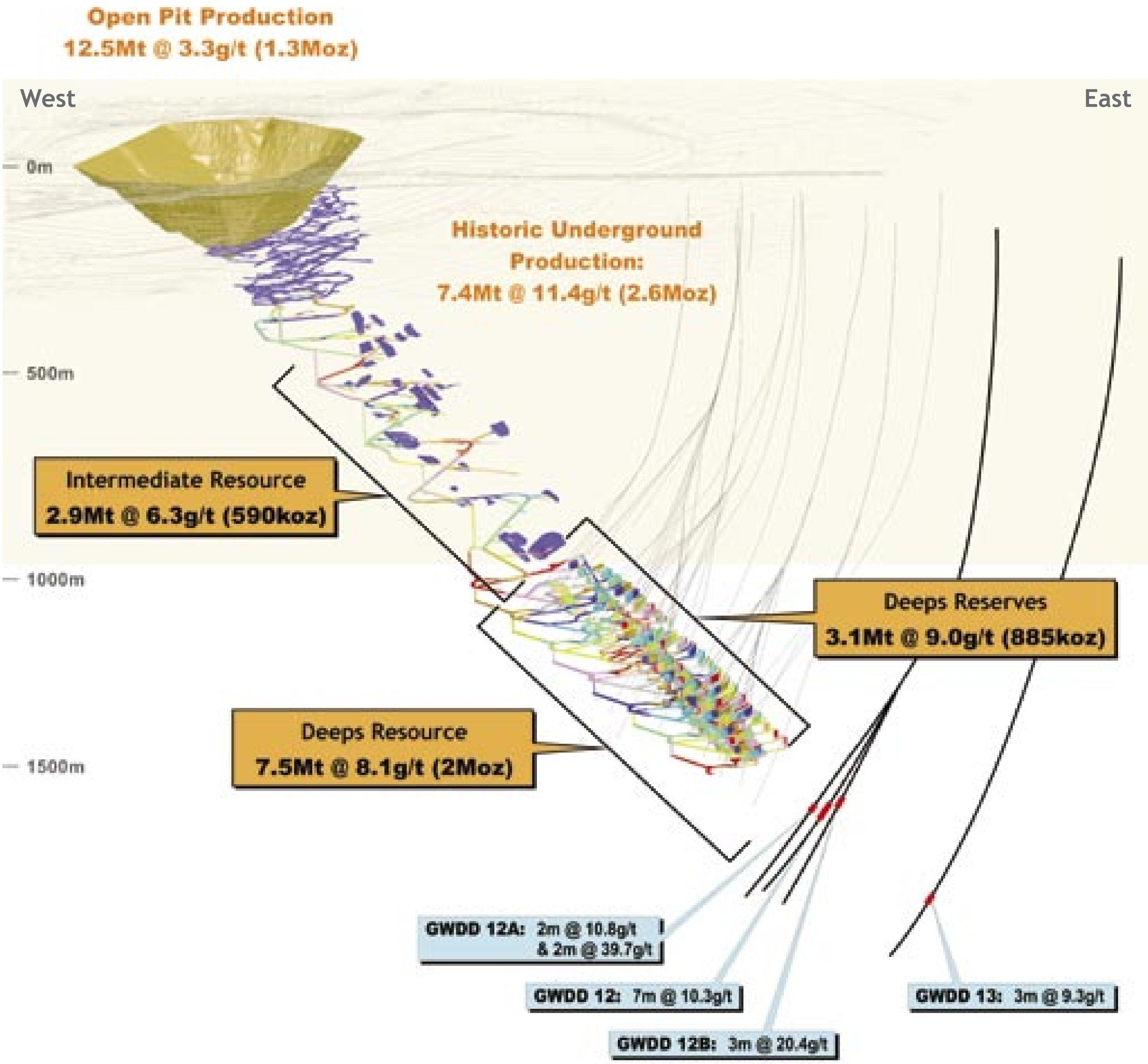
The mineralisation occurs within discrete sheet-like quartz vein lodes, plunging shallowly towards the south east and varies in width from 2m to 26m. There is considerable history and knowledge of mining this orebody from past operations which will assist in mine planning and bringing the mine back into operation.

Leonora Gold

Gold endowment in the Leonora region is extensive, with the five largest known deposits historically producing a total of 13.5 million ounces of gold. The Company inherited a large database of drillhole, geophysical and geochemical data through the acquisition of the Sons of Gwalia gold division and has now completed a detailed assessment of the data, the effectiveness of previous drilling and sampling, the known deposit styles, and their geological controls.

This study has generated a significant number of targets for possible further large, standalone deposits within the Company's tenure, and an exploration team will systematically test these targets in the year ahead. Gravity data is recognised as a crucial component in the detailed targeting process for all major deposits at Leonora, and expanded ground-based gravity surveys have been completed and the results are being assessed.

Gwalia Deeps



Exploration cont

Southern Cross

Exploration activity has been intensified at Southern Cross, with the establishment of two teams, one focusing on known deposits for open cut opportunities, the other seeking new discoveries. The Company controls the majority of the Southern Cross-Forrestania greenstone belt, over a length of some 200km, which has a known historical gold endowment of over 12 million ounces including 12 deposits of over 300,000 ounces. A comprehensive study of deposit styles, structural associations, the effectiveness of previous exploration and targeting was completed, producing some 51 gold targets within Company tenure. These targets have been ranked and further assessed. Access to most targets has been negotiated and exploration for new, standalone targets is underway.

Marvel Loch Deeps

A program of diamond drilling from within the current underground workings has been in progress since September 2005, with the aim of establishing Indicated Resources from 500 metres below surface (mbs) to 1,000mbs. This in turn is anticipated to identify mineable inventory below 500mbs, to support a planned five-year expanded production profile. Ore lodes at Marvel Loch are steeply plunging, continuous quartz veined shoots, each with a length of 30-70m and the Undaunted, Sherlock, Exhibition and New Lodes are being extended down plunge with this drill program.

BigGold Study

A team of geologists and specialist consultants has been established to identify targets for potential world-scale deposits of gold, nickel and copper within Australia. Initial outcomes from this team effort include a detailed review of new aeromagnetic and gravity data from the Yeenena (Ashburton) region, host to the Nifty (copper) and Telfer (gold) deposits. Targeting faulted antiforms analogous to the Telfer dome resulted in the application for four new exploration licences, covering some 780sqkm. These licences are expected to be granted in the coming year, with work programs planned.

Elsewhere in Australia, the Company is at an advanced stage of targeting new gold and copper-gold deposits. Detailed target assessment and ranking of these targets will lead to ground acquisition early in the 2006/07 year.

Base Metals

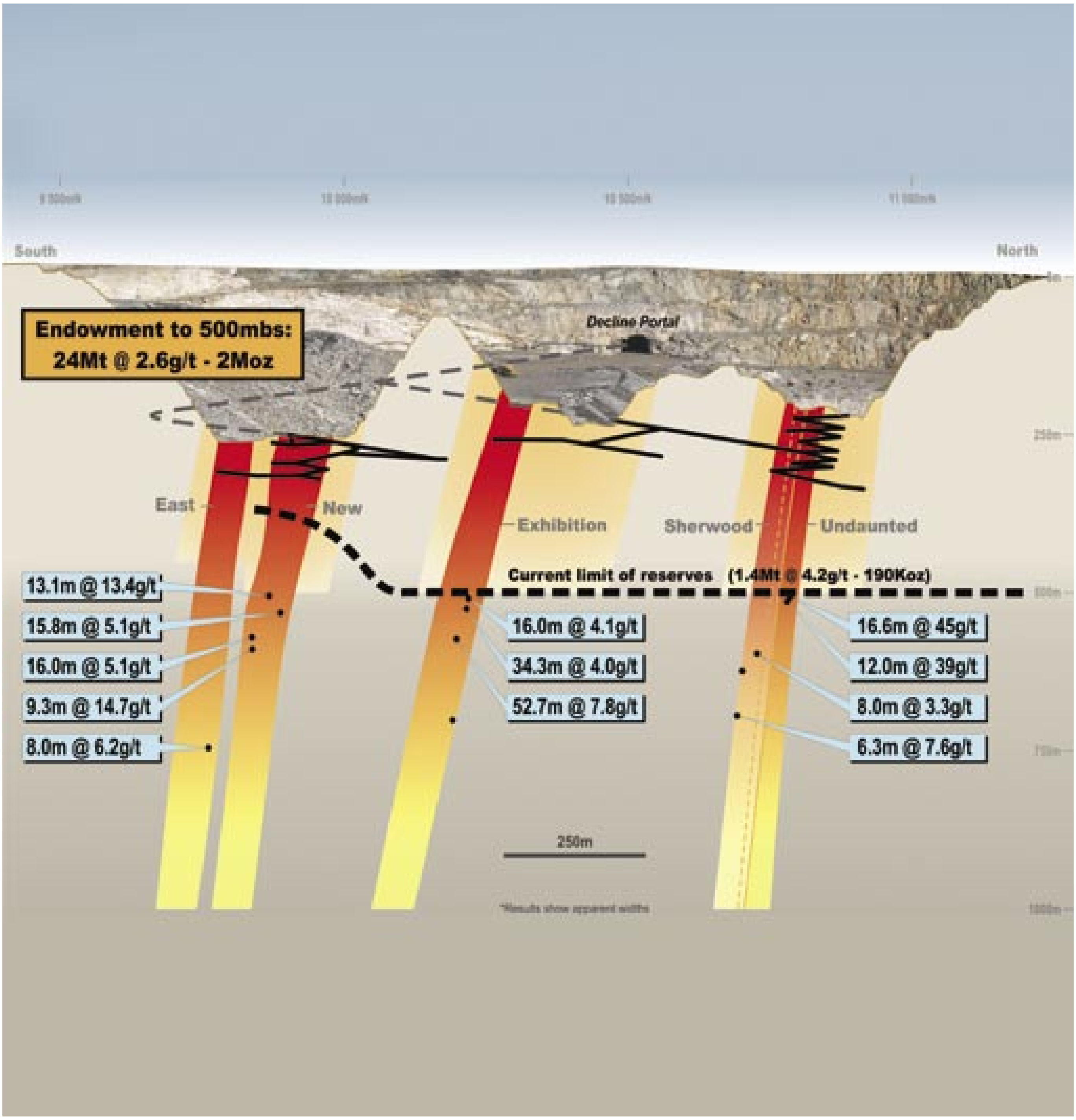
Dedicated base metal programs are being implemented on the Company's Leonora and Southern Cross/Forrestania tenements. Previous operators have historically focused on gold exploration on these tenements, despite the strong nickel sulphide endowment and recent nickel discoveries along strike. Over 300km of komatiite stratigraphy is present on this tenure, including channel-facies prospective for accumulation of Kambalda-style massive sulphide deposits.

Base metal programs to be conducted this year will include high-powered moving loop electro magnetic surveys, mapping and gossan search, surface geochemistry and follow up drilling of anomalies.

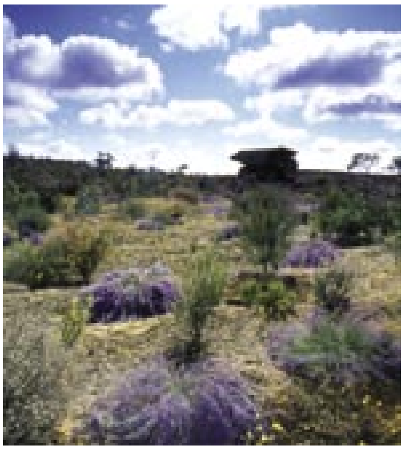
The focus for the 2007 financial year, with forecast exploration expenditure of A$20 million, is to:

- further add to the Gwalia Deeps reserve base;
- identify surface deposits in proximity to Southern Cross and Leonora operations, to augment existing and planned production plans; and
- make further standalone discoveries.

Marvel Loch Mine, the cornerstone of Southern Cross



Environment



Management of the environment is an important aspect of St Barbara's business, with consideration and management of environmental aspects being incorporated into all activities from exploration onwards.

Environmental activities undertaken include water sampling, fauna & flora surveys, energy generation and efficiency programs, pollution prevention, community liaison, education and training and rehabilitation.

Over the past 12 months, as part of our rebuilding for a better future, St Barbara has focused on improving its environmental performance. The Company's Environmental Policy was updated, outstanding rehabilitation activities at historic mining locations situated close to towns were completed, hydrocarbon management across the operations were improved and good environmental standards were incorporated for sites being considered for re-opening.

Compliance

Compliance with regulatory requirements is a minimum standard and where possible the Company sets its internal standards at a higher level. During the year work began on the development of a Company-based Environmental Management System. This is a significant process and is to be progressed over the next two years. The development of a Company-Wide Environmental Obligation Register has commenced. This aims to streamline the compliance process by ensuring all management and staff are aware of their obligations.

Rehabilitation

The Company continued its program of rehabilitation and clean-up of former mining sites inherited as part of the purchase of the Sons of Gwalia gold assets in 2005. The focus was on areas close to Southern Cross and Bullfinch and potentially higher-risk areas.

At Frasers, located next to the town of Southern Cross, the former operations area was cleaned up, with rubbish, old buildings and scrap removed. Waste dumps were contoured to a more stable landform and some tailings were relocated.

At the Star Mill site, 13km south east of Marvel Loch, the processing plant was dismantled and removed with most of the materials that could be recycled sold to metal traders. In addition, polyethylene pipe was recovered and sold to recyclers. The site was cleaned of other rubbish.

The mining activity at the Hercules Open pit continued to dump waste rock on top of a former tailings dam resulting in a long-term stable structure that, when finished, will be contoured, ripped and revegetated.

At Transvaal certain reactive wastes were covered and stabilised by an innovative technique that had been trialled last year.

On other sites, including Bullfinch, Cornishman and Southern Star, surplus and disused materials such as powerlines, polyethylene pipe and scrap metals were collected and either reused onsite or sold to recyclers.

The Company has continued to consult with government on its rehabilitation plans and has developed its plans in consultation with the relevant officers.

Water

Water is a scarce resource. The Company constantly reviews its water usage and, where possible, has instituted recyling and the use of lower-grade water resources for industrial purposes.

At the Leonora township, reverse osmosis is used to upgrade the town's drinking water supply and the reject water is being sent to waste.

The Company is arranging for the reject water to be redirected to its operation for use as industrial water.

Training and Education

The Company has appointed a Manager Environment and Rehabilitation to manage its commitments and to assist employees and contractors with their obligations. In addition, environmental staff and contractors are employed at its sites to provide advice and training as part of site induction processes and on-going environmental awareness programs.

Greenhouse Challenge Plus

St Barbara has become a member of the Greenhouse Challenge Plus program. This program is administered by the Australian Greenhouse Office of the Department of Environment and Heritage. The next stage in this program will see the establishment of an agreement that records the Company's commitment to manage and reduce greenhouse gas emissions. The agreement also reflects the Australian Government's commitment to recognise and reward achievements. It is envisaged that this agreement will be finalised during the 2007 reporting period.

Drilling at Gwalia

Safety and Community

A safe workplace is fundamental to the wellbeing of employees, contractors, consultants and visitors and to the success of the Company.

St Barbara is committed to achieving high standards, continuous improvement and the principle that all occupational injuries and illnesses are preventable.

There is a strong safety culture throughout all levels of the Company which is promoted at employment interviews, inductions, on-going safety meetings and training. Risk assessments are carried out prior to the implantation of new tasks and commencing routine activities.

General and site-specific inductions are held for all personnel, including contractors, at our operations and work areas. In addition, safety briefings are conducted at the commencement of each shift and formal weekly safety meetings are conducted by our employees and contractors.

Safety Health Advisory Committees have been established at each site, drawing members from across all aspects of the operations. The Committees' safety and health initiatives result from the contributions of these representatives from the workforce.

In addition to providing a safe working environment, the Company also focuses on its preparedness and ability to respond in case of an emergency. The Emergency Response teams at our operations are trained and capable of responding to the variety of emergency scenarios that may be encountered in our operational areas.

While the Company Disabling Injury Frequency Rate (DIFR) of 6.2 was lower than the 2004/05 WA Gold Industry Rate of 7.7, the Lost Time Injury Frequency Rate (LTIFR) was 6.2 compared to the 2004/05 WA Gold Industry Rate of 3.9. This performance is not acceptable and was due to six consecutive lost-time injuries from October to March 2006. Of the injuries sustained, three were lower back cumulative strain injuries.

As a result, the Company has focussed on the provision of lifting and manual handling training for our workforce and increasing the number of personnel trained in hazard identification and job safety analysis. Through training we will continue to increase the skill levels of our workforce and an incident investigation to improve our ability to accurately identify the causes of incidents and accidents.

At the end of the financial year the Company had achieved 120 days without any time being lost to injury.

Local Community Consultation

The Company recognises that members of local communities where it operates and interacts are important stakeholders. St Barbara is committed to building and maintaining mutually beneficial and sustainable relationships with the local communities, particularly at Southern Cross and Leonora, the location of its operations.

Community involvement and support during the year included:

In April 2006 senior management conducted an open briefing at Gwalia House in Leonora to update the Leonora community of its plans for the Tarmoola and Gwalia Deeps projects. A large number of members of the local community attended.

In addition, the Company met with indigenous groups at Southern Cross and Leonora. The focus of these meetings was to explain the Company's plans for the Southern Cross and Leonora operations, in particular the employment and contracting opportunities that exist for the groups. As a result of these meetings, dialogue between the groups and the Company is continuing.

Local Government Consultation

The Company regularly meets with the Southern Cross and Leonora Shires to update them of the Company's progress and answer questions in relation to community issues and opportunities.

Gwalia Historical Society

The Company is represented on the board of the Leonora Gwalia Historical Museum Ltd (**LGHM**) which was established in 1972 to preserve the heritage of the Gwalia gold mine and associated infrastructure. The preservation of this heritage is important to St Barbara and it is an active member of the LGHM.

Belinda Bastow, Manager Environment & Rehabilitation, presenting to Leonora community

Financial Review

The net profit after tax for the year of $6,019,000 (2005: $6,831,000) was underpinned by a full year of gold production from Southern Cross Operations in Western Australia.

As at 30 June 2006, the Company is financially well placed to pursue its strategic objectives, with cash at bank of $79,336,000 (2005: $16,273,000), investments of $29,569,000 (2005: $6,104,000) and minimal secured debt of $644,000.

Profit and Performance

The profit for 2006 of $6,019,000 was after expensing exploration expenditure of $16,831,000 (2005: $6,107,000) (excluding salaries, rents and rates) and mine development expenses of $8,908,000 (2005: $7,287,000).

Key contributors to the results were a $250/oz cash operating margin (average selling price $694/oz less cash operating cost $443/oz) from operations for $41,500,000 before amortisation and depreciation, profit on the divestment of Meekatharra of $10,500,000 and profit on divestment of South Laverton of $9,300,000.

The comparative result for the year ended 30 June 2005 under AGAAP was reported as a loss of $6,697,000. With the introduction of Australian International Financial Reporting Standards (AIFRS) this result is restated to a profit of $6,831,000 due to two non-cash items:

Gain on deconsolidation of subsidiary	$14,192,000
Share based payments expense	($664,000)
Net increase in profit	$13,528,000

The gain on deconsolidation of subsidiary relates to NuStar Mining Corporation Limited (NuStar) and represents a difference between accounting treatments under AGAAP and AIFRS. Under AIFRS, the carrying value of NuStar assets was written down for the consolidated entity in the 2004 financial year by $14,192,000. In the 2005 year, the gain on deconsolidation of NuStar is increased by an equal amount. There is no cash flow or net tax effect as a consequence of these AIFRS adjustments.

Significantly, the underlying profit for the year, as disclosed in the ASX Appendix 4E Financial Results release, improved from a loss in 2005 of $6,800,000 to a profit in 2006 of $4,300,000; an improvement of $11,200,000.

Gold production for the year was 166,000 ounces at a cash cost of $443/oz. The Company benefited from rising gold prices with an average price received for gold sold of $694/oz. Included in this total are 31,000 ounces sold under hedge commitments at approximately $770/oz. The remaining ounces were sold at spot.

Financing and interest costs of $960,000 (including establishment fees) related primarily to:

- $7,000,000 convertible note, which was converted into equity on 27 March 2006
- $29,000,000 Environmental Bond Facility (Environmental Bonds at 30 June 2006: $20,646,000)
- $10,000,000 General Purpose Loan Facility

Hedging

As at 30 June 2006 the Company had 126,000 ounces of committed and hedged gold positions comprising 115,000 ounces of bought put options and sold call options, and 11,000 ounces of gold forward sales.

The bought put options are exercisable at A$700/oz, the sold call options are exercisable at A$770/oz and the gold forward sales are priced at A$774/oz.

Based on a spot gold price at 30 June 2006 of A$810/oz, the mark-to-market value of the 126,000 ounces was negative $9,371,000. This unrealised loss is allocated $5,029,000 (before tax) to the Gold Hedge Reserve (representing market value movement) and $4,342,000 expensed to the Income Statement (representing the time and volatility value movement).

Taxation

Under AIFRS, deferred tax is brought to account for movements in reserves, resulting in a deferred income tax benefit for the year of $1,428,000 (2005: $Nil).

Equity

On 18 May 2006 the Company raised net $57,022,000 from the issue of 99,000,000 shares at 60¢ each to offshore and local institutions and some professional investors.

A $7,000,000 convertible note was converted, on terms previously approved by shareholders, to 100,000,000 shares on 27 March 2006.

A total of $8,633,000 was received from exercise of unlisted options, including $7,118,000 from the exercise of 49,712,000 options previously held by Resource Capital Fund II LP.

Pursuant to an on-market share buy-back program announced on 26 July 2005, to 30 June 2006 the company had bought back a total of 9,805,000 shares for $4,008,000 at an average price of 41¢/share.

Investments

The Company's investment portfolio has resulted primarily from the divestment of South Laverton, Meekatharra and non-core assets. As at 30 June 2006, the Company held the following interests in public listed companies:

Mercator Gold plc	20.6%
Saracen Mineral Holdings Ltd	19.9%
Terrain Minerals Limited	17.1%

All of the Saracen and Mercator shares and most of the Terrain shares are held in escrow. For accounting purposes, investments in listed securities are valued at the market price, except for shares held in escrow which are valued at market price less 8% discount.

As at 30 June 2006, the carrying value of investments was $29,510,000.

Finance Facilities and Debt

As noted above, a $7,000,000 convertible loan was converted into equity as at 27 March 2006.

Through project divestment and rehabilitation programs, the Environmental Bond Facility as at 30 June 2006 had reduced to $20,646,000, secured by $20,000,000 bank guarantees and cash backing.

Following the successful equity raising in May 2006, the $10,000,000 General Purpose Loan Facility, which had not been used, was cancelled without pre-payment penalty. Establishment fees totalling $435,000 were expensed during the current financial year, in respect of this facility and the Environmental Bond Facility.

As at 30 June 2006 the Company had $644,000 of secured debt representing hire purchase and finance lease commitments.

Cash Flows

Cash at bank at 30 June 2006 was $79,336,000 (30 June 2005: $16,273,000).

Cash inflows for the year included:

	$'000
Net proceeds from issue of shares	65,660
Proceeds from divestment of property, plant and equipment including sale of Meekatharra and South Laverton	16,783
Proceeds on sale of investments	5,984
Release of cash from reduced restricted cash	11,648
	100,075

Cash outflows for the year included:

	$,000
Mine development costs	23,770
On-market share buy-back	4,008
	27,778

Subsequent Events

On 25 July 2006, the Company announced Probable Reserves for Gwalia Deeps at Leonora of 3,100,000 tonnes at 9.0g/t of gold for 885,000 ounces. A Final Feasibility Study is currently underway and is due to be completed in January 2007.

Corporate Governance Review

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, entrepreneurism, innovation, development and exploration) and provide accountability and control systems commensurate with the risks involved.

St Barbara has in place key corporate governance structures. As the Company grows the suitability of these structures is reviewed and updated on a regular basis.

St Barbara is committed to the principles of Good Corporate Governance and Best Practice Recommendations, as published by the ASX Corporate Governance Council in March 2003:

> 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's corporate governance practices align with these principles and are summarised below.

Shareholders

Directors and management recognise that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high-quality information about the Company's performance, strategies and plans. Similarly, investors considering buying or selling shares in the Company are entitled to be able to make informed investment decisions when considering the purchase or sale of shares in the Company.

To communicate effectively with shareholders and provide ready access to balanced and understandable information about the Company and its strategies, the Company:

- ensures that published financial and other statutory reports meet or exceed statutory requirements;
- discloses full and timely information about Company activities and strategies in accordance with the general and continuous disclosure principles in the ASX Listing Rules and the Corporations Act;
- publicly presents a detailed view of the Company's achievements and strategies at least twice a year, and reports from the Chairman and Managing Director and Chief Executive Officer (CEO) at the Company's Annual General Meeting (AGM);
- places all material information released to the market (including notices of meeting and explanatory materials) on the Company's website as soon as practicable following public release;
- strives to ensure that all public announcements including annual reports, notices of meeting and other shareholder communications are drafted clearly and concisely.

Structure and Operation of the Board

The Company has operated during the year with a five to six-member Board, all of whom, aside from the Managing Director and CEO, are non-executive directors. Mr Tuten is a Partner of RCF Management LLC, the management company of the Company's substantial shareholders, Resource Capital Fund II and II LP. Mr Tuten abstains from voting on any Board matters relating to either of these entities. Aside from Mr Tuten, all other non executive directors, including the Chairman, are considered to be independent.

The role of the Board is to provide a strategic direction for the Company, effective oversight of management and a sound base for maintaining a culture of good corporate governance within the Company. Given the size of the Company, the function of a nomination committee is performed by the Board.

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

The following Board committees are active:
- 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 associated with major shareholders, Resource Capital Funds II and 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, policies and procedures designed to safeguard Company assets and to maintain the integrity of financial reporting. In respect to safeguarding Company assets, and risk more generally, management is charged with the responsibility of identifying and managing operational, financial and corporate risks with regular reports to the Board.

An Audit Committee has been established to assist the Board in maintaining the integrity of financial reporting.

The Audit Committee at the date of this report comprises:
D W Bailey, Chairman
H G Tuten
S J C Wise

The primary role of the Audit Committee is to provide an independent and objective review of financial and other information prepared by management, in particular that to be provided to members and/or filed with regulators, including:

- overseeing the Group's discharge of its responsibilities with respect to:
  - the financial statements, financial report and annual report; and
  - financial risk management systems

- overseeing the Group's relationship with external auditors; and

- determining the independence of the external auditors.

The Audit Committee:

- meets and receives regular reports from its external auditors concerning matters that arise in connection with their audit; and

- is also responsible for review of performance and nomination of the external auditors.

The external auditor, PricewaterhouseCoopers, has confirmed its independence to the Board. The current engagement partner has conducted the audit since 2001. The external auditor is required to attend the Annual General Meeting and will be available to respond to specific questions from shareholders.

Disclosure of Information

St Barbara has obligations under the Corporations Act, and ASX 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.

Corporate Governance Review cont

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.

Dealing in Company shares by Directors, Officers and Employees is governed by a 'Dealings in Securities' Policy. This policy allows for a 30-day trading window following significant public announcements, provided the Company is not then 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. Having regard to the Company's size and scale of operations, a formal Code of Conduct is not considered necessary.

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 Remuneration Committee, as at the date of this report comprises:

R Knight, Chairman
D W Bailey
E Eshuys
S J C Wise

The duties of the Remuneration Committee include:

- to commission and consider independent advice on remuneration, and to propose appropriate remuneration policies for Board approval,
- to provide guidance to the CEO on the appointment of senior executives and their remuneration,
- to approve the overall percentage increase in fixed annual remuneration for employees,
- to establish with the CEO the criteria to be applied as the basis for performance management within the Company, to monitor performance against those criteria, and to approve any incentive payments that my result.
- to review and develop, as required, plans for orderly management development and succession.

The Principles used to determine the nature and amount of remuneration are set out in the Remuneration section of the Directors Report set out on pages 28 to 37.

Evolving Practices

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

Ruth Stephenson, Mine Geologist, Hoover Decline, Gwalia Deeps

Directors' Report

The Directors present their report on the consolidated entity consisting of St Barbara Limited and the entities it controlled at the end of, or during, the financial year ended 30 June 2006.

Directors

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

Name	Period of Directorship
S J C Wise	Appointed 20 July 2004
E Eshuys	Appointed 20 July 2004
R Knight	Appointed 25 May 2005
H G Tuten	Appointed 26 March 2002

D W Bailey was appointed a Director on 17 January 2006 and continues in office at the date of this report.

M K Wheatley was a Director throughout the financial year, but resigned on 2 August 2006 following his appointment as chief executive of another company.

Principal activities

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

There were no significant changes in the nature of activities of the consolidated entity during the year.

Dividends

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

Operations overview

Refer to page 8 for the Operations Review.

Consolidated revenues and results

Consolidated revenues and results are summarised as follows:

	2006 $'000	2005 $'000
Sale of gold	115,263	46,553
Profit after income tax benefit	6,019	6,831

The profit for the year ended 30 June 2006 of $6,019,000 is after expensing exploration expenditure, excluding salaries, rents and rates, of $16,831,000 and depreciation and amortisation charges amounting to $9,540,000.

The comparative result for 2005 under AGAAP was reported as a loss of $6,697,000. With the introduction of Australian International Financial Reporting Standards (AIFRS) this result is restated to a profit of $6,831,000 due to two non-cash items:

Gain on deconsolidation of subsidiary	$14,192,000
Share based payments expense	($664,000)
Net increase in profit in 2005	$13,528,000

The gain on deconsolidation of subsidiary relates to NuStar Mining Corporation Limited (NuStar) and represents a difference between accounting treatments under AGAAP and AIFRS. Under AIFRS, the carrying value of NuStar assets was written down for the consolidated entity in the 2004 financial year by $14,192,000. In the 2005 year, the gain on deconsolidation of NuStar is increased by an equal amount. There is no cash flow or net tax effect as a consequence of these AIFRS adjustments.

Significant changes in the state of affairs

a) Divestment of Projects

On 14 October 2005, the Company announced the sale of its South Laverton project to Saracen Mineral Holdings Limited (Saracen) for consideration of:

	$'000
Cash payment	4,000
Replacement of South Laverton environmental performance bonds	9,200
Issue of shares by Saracen, value	3,500
	16,700
Cash payment for additional bond reductions	2,700
	19,400

On 28 October 2005, the Company announced the sale of its Meekatharra project to Mercator Gold plc for consideration of:

	$'000
Cash payment	5,000
Replacement of Meekatharra environmental performance bonds	3,000
Issue of shares by Mercator, value	13,000
	21,000

b) Changes in issued capital	Number of shares
Shares on issue 1 July 2005	566,533,352
Add exercise of Options	63,662,275
Conversion of Resource Capital Fund III LP $7 million loan	100,000,000
Equity raising May 2006 at 60 cents per share	99,000,000
Less on-market buy-back of shares	(9,805,060)
Shares on issue 30 June 2006	819,390,567

c) Sale of investments

On 27 July 2005, the Company sold its remaining 63,325,359 shares in NuStar for $3,166,000 and 15,412,082 shares in Sedimentary Holdings Limited for $2,851,000; yielding total consideration of $6,017,000.

Matters subsequent to the end of the financial year

On 25 July 2006 the Company announced Probable Reserves for Gwalia Deeps at Leonora of 3,100,000 tonnes at 9.0g/t of gold for 885,000 ounces.

Likely developments and expected results of operations

Likely developments in the operations of the consolidated entity constituted by St Barbara Limited 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 2006/07 is 165,000 ounces at an estimated cash cost of $465/oz.

Regulatory environment

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

Information on Directors

S J Colin Wise LL.B, FAICD, FAusIMM

Chairman - non-executive   Age 60

Mr Wise is an experienced corporate lawyer and consultant with significant expertise in the mining and exploration industry and corporate section. He spent 24 years with WMC Limited, 10 of which as General Counsel and subsequently, 4 years as Counsel to a New York law firm. He has 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 and Chair of its Quality Committee.

Other current public company directorships

Nil

Former public company directorships in last 3 years

Nil

Special responsibilities

Chairman of the Board

Member of the Audit Committee

Member of the Remuneration Committee

Interest in shares and options

Mr Wise has a beneficial interest in 3,681,709, fully paid ordinary shares of the Company.

Directors' Report cont

Eduard Eshuys B.Sc, FAICD, FAusIMM
Managing Director and Chief Executive Officer Age 61
Mr Eshuys is a geologist with 37 years of experience in mineral exploration, development and operation of gold and nickel mines in Australia. He has a record of success 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 5,100,000 fully paid ordinary shares and holds 25,000,000 executive options to acquire fully paid ordinary shares as detailed later in this Report.

Douglas W Bailey, BBus (Acc), CPA, ACIS
Non Executive Director Age 53
Mr Bailey was the Chief Financial Officer of Woodside Petroleum Ltd between 2002 and 2004 and previously, was an Executive Director of Ashton Mining Limited from 1990 to 2000, including the last 3 years as Chief Executive Officer. He also was a Non-Executive Director of Aurora Gold Ltd for the period 1993-2000.

Other current public company directorships
Nil

Former public company directorships in last 3 years
Nil

Special responsibilities
Chairman of the Audit Committee – appointed 17 January 2006

Interest in shares and options
Mr Bailey has a beneficial interest in 100,000 fully paid ordinary shares of the Company.

Richard Knight MSc(Eng), DIC, BSc(Eng), ARSM, FAICD, C.Eng
Non Executive Director Age 65
Mr Knight is a mining engineer with some 40 years experience, both in Australia and internationally. He 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 Resources Australia Limited, an Executive Director of North Limited and Managing Director of Inco Australia Management Pty Ltd.

Other current public company directorships
Zinifex Limited
Northern Orion Resources Inc

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

Special responsibilities
Chairman of the Remuneration Committee

Interest in shares and options
Mr Knight has a beneficial interest in 2,505,095 fully paid ordinary shares of the Company.

Henderson (Hank) G Tuten, B.A. (Econ)
Non Executive Director Age 59
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. He is a Partner in RCF Management LLC, the management company of RCF. He spent over 15 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 and III LP of 183,662,230 shares.

Mark K Wheatley B.E.((Chem) Hons 1), MBA
Non Executive Director Age 45
Mr Wheatley has 26 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 served as Chairman and CEO of Southern Cross Resources Inc up until the completion of the merger with Aflease on 27 December 2005 and is now a Non Executive Director of the new merged company called SXR Uranium One Inc, a company which is listed on the Toronto Stock Exchange.

Other current public company directorships
SXR Uranium One Inc

Former public company directorships in last 3 years
Southern Cross Resource Inc

Special responsibilities
Member of the Audit Committee (Chairman until 17 January 2006)
Member of the Remuneration Committee

Interest in shares and options
Mr Wheatley holds 700,000 shares

Mr Wheatley resigned as a Director on 2 August 2006.

Company Secretary

Ross Kennedy BComm, Grad.Dip – Company Secretarial Practice, ACA, FTIA, MAusIMM, FAICD, ACIS
Chief Financial Officer and Company Secretary   Age 46
Mr Kennedy has more than 20 years' experience as a public company secretary and has held a number of public company directorships in resources and technology companies. He has extensive experience in corporate management, including risk management, ethical standards, finance, accounting, commercial negotiations, takeovers, legal contracts, statutory compliance and public reporting.

Directors' Report cont

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 2006, and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Meetings of Audit Committee	
	A	B	A	B
S J C Wise	12	12	2	2
E Eshuys *	12	12	2	2
H G Tuten	10	12	2	2
M K Wheatley	10	12	2	2
R Knight	10	12	-	2
D W Bailey	7	7	2	2

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year
* = Managing Director and CEO
The Remuneration Committee met informally on a number of occasions and the outcome of the Committee's deliberations were considered and approved by the Board.

Retirement, election and continuation in office of Directors

D W Bailey was appointed a Director on 17 January 2006. In accordance with the Constitution, he will retire as a Director at the annual general meeting and, being eligible, will offer himself for election.

H G Tuten is the Director who will be retiring by rotation and, being eligible, will offer 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 Additional information

The information provided under headings A - D includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures under heading E are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001, which have not been audited.

The Remuneration Committee, as at the date of this report comprises:

R Knight, Chairman
D W Bailey
E Eshuys
S J C Wise

The duties of the Remuneration Committee include:

- to commission and consider independent advice on remuneration, and to propose appropriate remuneration policies for Board approval,
- to provide guidance to the CEO on the appointment of senior executives and their remuneration,
- to approve the overall percentage increase in fixed annual remuneration for employees,
- to establish with the CEO the criteria to be applied as the basis for performance management within the Company, to monitor performance against those criteria, and to approve any incentive payments that my result,
- to review and develop, as required, plans for orderly management development and succession.

A Principles used to determine the nature and amount of remuneration (audited)

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

The objective of the Group's executive reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of operating and strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- reasonableness and competitiveness
- alignment with shareholders' interests
- performance linkage / alignment of executive compensation
- transparency

Alignment to shareholders' interests is structured through:

- reward for achieving pre-determined performance targets
- attracting and retaining high calibre executives.

Alignment to executives' interests is structured through:

- rewarding capability and experience
- recognising contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives.

Non executive Directors fees

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 $750,000 per annum in aggregate (approved in 2005).

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, guided by the advice of independent remuneration consultants to ensure fees and payments are appropriate for the duties performed 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 present at any discussions relating to determination of his own remuneration.

Non executive Directors do not receive share options. Non executive Directors may, commencing 1 October 2005, elect to receive all or part of their remuneration (with a 20% minimum) in St Barbara Limited shares, which are acquired on market pursuant to a Non Executive Director Share Plan. Such elections can be made, varied, or cancelled prior to the commencement of each calendar quarter.

The current fee levels were last reviewed with effect from 1 July 2005. Directors' remuneration is inclusive of committee fees.

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 Limited Employee Option Plan, and
- other remuneration such as superannuation.

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

Base pay

Executives are offered a competitive fixed annual remuneration that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Fixed annual remuneration is structured as a total employment cost package which may be delivered as a combination of cash and prescribed benefits as nominated by each executive.

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.

Benefits

Executives receive benefits including living away from home allowances, and/or payment for certain professional memberships.

Short term incentives

Key Performance Indicators (KPIs) require performance in improving operational effectiveness as well as other key, strategic financial and non-financial measures linked to the drivers of performance in current and future reporting periods.

The Remuneration Committee is responsible for assessing the extent to which the KPIs have been met. To help make this assessment, the Committee receives a variety of detailed reports and presentations on every aspect of the performance of the business from management, and external remuneration consultants as required.

Long term incentives

Mr Eshuys has been issued Executive Options pursuant to terms approved by shareholders.

All other employee options have been issued pursuant to the St Barbara Limited Employee Option Plan.

Information on the St Barbara Limited Employee Option Plan is set out in Note 37 to the attached Financial Statements.

Superannuation

In addition to statutory superannuation contributions, employees may also elect to salary sacrifice.

B Details of remuneration (audited)

Amounts of remuneration

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of St Barbara Limited and the St Barbara Limited Group are set out in the following tables. The remuneration for Directors and executives is reviewed annually. Cash bonuses are directly related to performance.

The Directors of St Barbara Limited at 30 June 2006 were:

- Colin Wise - Chairman
- Eduard Eshuys - Managing Director & CEO
- Doug Bailey - Non Executive Director
- Richard Knight - Non Executive Director
- Hank Tuten - Non Executive Director
- Mark Wheatley - Non Executive Director

The key management personnel of the Group are those executives who have authority and responsibility for planning, directing and controlling the activities of the Company. This includes the five group executives who received the highest remuneration for the year ended 30 June 2006. The executives are:

- Ross Kennedy - CFO & Company Secretary
- Robert Klug - General Manager Business Development
- Martin Reed - General Manager Development
- Peter Thompson - General Manager Exploration
- George Viska - General Manager Commercial

Key management personnel of St Barbara Limited

2006	Short term benefits			Post employment benefits		Share-based payment	
Name	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Retire-ment benefits $**	**Options $**	**Total $**
Non-executive Directors							
S J C Wise (Chairman) [1]	110,092	-	-	9,908	-	-	120,000
D W Bailey	-	-	-	29,880	-	-	29,880
R Knight [1]	64,220	-	-	5,780	-	-	70,000
H G Tuten	-	-	-	-	-	-	-
M K Wheatley	64,220	-	-	5,780	-	-	70,000
Sub total non executive Directors	**238,532**	**-**	**-**	**51,348**	**-**	**-**	**289,880**
Executive Directors							
E Eshuys	274,413	177,000	50,000	100,587	-	415,201	1,017,201
Other key management personnel							
R Kennedy	184,183	40,000	19,240	16,577	-	-	260,000
R Klug	141,552	-	-	12,740	-	102,265	256,557
M Reed	353,342	-	-	-	-	-	353,342
P Thompson	189,440	20,000	-	20,560	-	-	230,000
G Viska	190,630	-	20,800	10,303	-	93,832	315,565
Totals	**1,572,092**	**237,000**	**90,040**	**212,115**	**-**	**611,298**	**2,722,545**

Notes

1 S J C Wise and R Knight elected in lieu of receiving Directors fees as salary to participate in the Non Executive Directors Share Plan for part of the financial year.

Key management personnel of St Barbara Limited (continued)

2005	Short term employee benefits			Post employment benefits		Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retire-ment benefits $	Options $	Total $
Non executive Directors							
S J C Wise	87,114	-	-	7,840	-	-	94,954
R Knight	4,701	-	-	423	-	-	5,124
H G Tuten	-	-	-	-	-	-	-
M K Wheatley	73,007	-	-	6,571	-	-	79,578
Sub total non executive Directors	**164,822**	-	**-**	**14,834**	**-**	-	**179,656**
Executive Directors							
E Eshuys	276,178(1)	250,000(2)	40,000	8,652	-	914,614(3)	1,489,444
S W Miller	37,716	-	-	7,543	245,616	-	290,875
Other key management personnel							
R Kennedy	148,292(1)	-	8,333	10,916	-	46,276(4)	213,817
M Reed	227,788(5)	-	-	-	-	-	227,788
P Thompson	71,499	-	-	6,885	-	47,949(4)	126,333
G Viska	131,500	-	-	-	-	-	131,500
Totals	1,057,795	250,000	48,333	48,830	245,616	1,008,839	2,659,413

Notes
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.
4. Employee options issued on commencement of employment valued at grant date.
5. Executive engaged as a contractor during the year and in receipt of consulting fees.

C Service agreements (audited)

Remuneration and other terms of employment for the Managing Director and the other key management personnel 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 Limited 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 three months notice, except where noted below and subject to termination payments as detailed.

E Eshuys – Managing Director & CEO

- Term of agreement – permanent employee commencing 20 July 2004.
- Base salary, inclusive of superannuation, for the year ended 30 June 2006 of $375,000, to be reviewed annually by the Remuneration Committee.
- The Company may terminate the contract by providing three months notice and at the end of the notice period paying Mr Eshuys nine months salary other than for gross misconduct. Mr Eshuys may terminate the contract by giving four months notice.

R Kennedy CFO/Company Secretary

- Term of agreement – permanent employee commencement 29 September 2004.
- Base salary, inclusive of superannuation, for the year ending 30 June 2006 of $220,000, to be reviewed annually by the Remuneration Committee.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, more than 1 years service but not more than 3 years service equal to 4.5 months of base salary and superannuation, more than 3 years service equal to 6 months base salary and superannuation.

R Klug, General Manager Business Development

- Term of agreement – permanent employee commencement 17 October 2005.
- Base salary, inclusive of superannuation, for the year ended 30 June 2006 of $218,000, to be reviewed annually by the Remuneration Committee.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, 4 weeks of base salary and superannuation,

M Reed, General Manager Development

- Term of agreement – contractor.
- Engaged as a contractor at $1,650 per day plus business expenses.
- Termination by one months notice by either party.

P Thompson, General Manager Exploration

- Term of agreement – permanent employee commencement 24 January 2005.
- Base salary inclusive of superannuation for the year ending 30 June 2006 of $210,000, to be reviewed annually by the Remuneration Committee.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, more than 1 years service but not more than 3 years service equal to 2 weeks of base salary and superannuation, more than 3 years but not more than 5 years service equal to 3 weeks of base salary and superannuation, more than 5 years services 4 weeks of base salary and superannuation

G Viska, General Manager Commercial

- Term of agreement – permanent employee commencement 1 August 2005
- Base salary, inclusive of superannuation and living away from home allowance for the year ended 30 June 2006 of $240,000, to be reviewed annually by the Remuneration Committee.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, one month of base salary and superannuation plus an additional 1 week's payment of base salary and superannuation after 2 years service.

D Share based compensation (audited)

Options

Options other than those issued to Mr Eshuys were granted under the St Barbara Limited Employee Option Plan which was approved by shareholders at the 2001 annual general meeting. All full time employees are eligible to participate in the plan.

Options are granted under the plan for no consideration, and for a three or five year term. Options granted for three years vest ordinarily on granting. Options granted for five years vest 50% on the first anniversary of employment and the remaining 50% on the second anniversary of employment.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Mr Eshuys:

Grant date	Number	Exercise price	Expiry	Vesting	Vesting condition
23 Dec 04	5,000,000	0.0472	23 Dec 09	On grant	Nil
23 Dec 04	5,000,000	0.0472	23 Dec 09	21 Jul 05	Vested
23 Dec 04	5,000,000	0.0472	23 Dec 09	21 Jul 06	Vested
23 Dec 04	5,000,000	0.1500	23 Dec 08	14 Sep 05	Vested
23 Dec 04	5,000,000	0.1500	23 Dec 09	14 Sep 06	1
23 Dec 04	5,000,000	0.1500	23 Dec 10	14 Sep 07	1
23 Dec 04	5,000,000	0.1500	23 Dec 11	14 Sep 08	1

1 = vesting condition is continued employment as Managing Director

For statutory purposes, E Eshuys' options are valued as at grant date being the date of shareholder approval in November 2004 and 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)

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables below. Fair values at grant date are independently determined using a Black Scholes option pricing model that takes into account the exercise price (ordinarily linked to the average closing market price for the 5 business days immediately preceding the grant date), the term of the option, the share price at grant date and expected price volatility of the underlying share, no expected dividend yield and the risk free interest rate for the term of the option. Options issued pursuant to the St Barbara Limited Employee Option Plan are granted for no monetary consideration.

Name	Grant date	Expiry date	Exercise price	Value per option at grant date	Number of options issued on grant date	Date exercisable
Eduard Eshuys	23 Dec 2004	Various	$0.0472 and $0.15	$0.046	35,000,000	Refer vesting conditions above
Ross Kennedy	2 Dec 2004	2 Dec 2007	$0.08	$0.046	1,000,000	Anytime from grant date
Robert Klug	12 Sep 2005	12 Sep 2010	$0.23	$0.171	1,000,000	50% after 12 months, balance after 24 months
Peter Thompson	16 Dec 2004	16 Dec 2007	$0.08	$0.048	1,000,000	Anytime from grant date
George Viska	2 Aug 2005	2 Aug 2008	$0.135	$0.094	1,000,000	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.

Details of options over ordinary shares in the Company provided as remuneration to each Director of St Barbara Limited and each of the key management personnel of the Group are set out below. Further information on the options is set out in Note 37 to the financial statements.

Name	Number of options granted during the year		Number of options vested during the year	
	2006	2005	**2006**	2005
Directors of St Barbara Limited				
E Eshuys		35,000,000	**10,000,000**	5,000,000
Other key management personnel of the Group				
R Kennedy		1,000,000		1,000,000
R Klug	**1,000,000**			-
P Thompson		1,000,000		1,000,000
G Viska	**1,000,000**		**1,000,000**	
	2,000,000	37,000,000	**11,000,000**	7,000,000

Shares provided on exercise of remuneration options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each Director of St Barbara Limited and other key management personnel of the Group are set out below.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	
	($ per share paid)	2006	2005
Directors of St Barbara Limited			
E Eshuys	22 Nov 2005 ($0.0472)	**2,100,000**	-
E Eshuys	23 Nov 2005 ($0.1500)	**1,300,000**	-
E Eshuys	4 May 2006 ($0.1500)	**3,700,000**	-
E Eshuys	4 May 2006 ($0.0472)	**2,900,000**	-
		10,000,000	-
Other key management personnel of the Group			
P Thompson	22 Dec 2005 ($0.0800)	**1,000,000**	-
G Viska	17 Nov 2005 ($0.1350)	**1,000,000**	-
		2,000,000	-

E Additional information - unaudited

Further details relating to options are set out below:

Name	A Remuneration consisting of options	B Value at grant date $	C Value at exercise date $	D Total of columns B C $
E Eshuys	0%	-	-	-
R Kennedy	0%	-	-	-
R Klug	52.6%	171,028	-	171,028
M Reed	0%	-	-	-
P Thompson	0%	-	-	-
G Viska	29.7%	93,832	239,521	333,353

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B for options that were granted in the current year.

B = The value at grant date calculated in accordance with AASB 2 Share Based Payment of options granted during the year as part of remuneration for options that were granted in the current year.

C = The value at exercise date of options that were granted as part of remuneration in the current year and that were exercised during the current year.

No options that were granted as part of remuneration lapsed during the year.

Managing Director & CEO KPIs

In respect of the 2006 financial year, E Eshuys achieved 88.5% of his short-term incentive target for the year, based on the Key Performance Indicators agreed with the Board 12 months ago.

The key performance indicators relevant to determination of the bonus for the 2006 financial year encompassed the following categories:

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

Loans to Directors and executives

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

Auditor Independence

A copy of the auditor's independence declaration required under sector 307C of the Corporations Act 2001 is set out on page 40.

Indemnification and Insurance of Officers

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

During the year the Company has paid a premium in respect of Directors' and executive officers' insurance. The contract contains a prohibition on disclosure of the amount of the premium and the nature of the liabilities under the policy.

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 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 compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- fees paid to external auditors for non-audit services for the 2005 year were considered to be commercial realistic; and
- 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.

	Consolidated	
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:	**2006** **$**	2005 $
(a) Assurance Services		
Audit Services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the Corporations Act 2001[(1)]	**179,190**	144,632
(b) Taxation Services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of Company income tax returns	**93,245**	108,726

[(1)] included in audit fees paid to PwC Australia are amounts of $20,000 (2005: $5,000) for the consolidated entity and for the parent entity for the transition to Australian equivalents of International Financial Reporting Standards.

Change of name

At the Annual General Meeting held on 16 November 2005, the shareholders approved the change of Company name from St Barbara Mines Limited to St Barbara Limited. The effective date of this change was 20 December 2005.

Rounding of Amounts

St Barbara Limited is a Company of the kind referred to in Class Order 98/0100 approved by the Australian Securities and Investments Commission, relating to the "rounding up" of amounts in the Directors' Report and Financial Report. All amounts have been rounded off to the nearest thousand dollars, unless otherwise noted.

Subsequent Events

Events subsequent to 30 June 2006 are set out in Error! Reference source not found. to the attached financial statements.

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 Directors.

For and on behalf of the Board
Dated at Perth this 8th day of September 2006

E Eshuys
Managing Director & CEO

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Auditors' Independence Declaration

As lead auditor for the audit of St Barbara Limited for the year ended 30 June 2006, 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 Limited and the entities it controlled during the period.

David J Smith
Partner
PricewaterhouseCoopers

Perth
8 September 2006

INCOME STATEMENTS

For the year ended 30 June 2006

		Consolidated		Parent Entity	
		30 June 06	30 June 05	30 June 06	30 June 05
	Notes	$'000	$'000	$'000	$'000
Revenue	5	**116,777**	46,950	**116,777**	46,950
Other income	6	**22,933**	19,893	**22,933**	5,457
Changes in inventories of finished goods and work in progress		**1,689**	(687)	**1,689**	(687)
Raw materials and consumables used		**(19,405)**	(6,640)	**(19,405)**	(6,640)
Contract mining, cartage, milling, maintenance, labour and consultants, equipment hire		**(60,101)**	(20,558)	**(60,101)**	(20,558)
Exploration expenditure		**(16,831)**	(6,107)	**(16,831)**	(6,107)
Write down of mining exploration tenements		**-**	(775)	**-**	(775)
Employee benefits expenses		**(15,981)**	(7,920)	**(15,981)**	(7,920)
Share of net loss of associate accounted for using the equity method		**-**	(577)	**-**	-
Depreciation and amortisation	7	**(9,540)**	(8,093)	**(9,540)**	(8,093)
Provision for diminution in investments		**-**	(773)	**-**	(773)
Finance costs		**(960)**	(524)	**(960)**	(524)
Unrealised loss on gold derivatives		**(4,342)**	-	**(4,342)**	-
Royalty		**(3,881)**	(1,265)	**(3,881)**	(1,265)
Legal		**(1,764)**	(851)	**(1,764)**	(851)
Insurance		**(1,247)**	(839)	**(1,247)**	(839)
Other expenses		**(2,756)**	(4,403)	**(2,575)**	(3,598)
Profit/(loss) before income tax		**4,591**	6,831	**4,772**	(6,223)
Income tax benefit	8	**1,428**	-	**1,428**	-
Profit/(loss) for the year		**6,019**	6,831	**6,200**	(6,223)
Earnings per share for profit attributable to the ordinary equity holders of the Company:					
Basic earnings per share (cents per share)	36	**0.95**	1.06		
Diluted earnings per share (cents per share)	36	**0.92**	1.06		

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

BALANCE SHEETS
As at 30 June 2006

		Consolidated		Parent Entity	
		30 June 06	30 June 05	30 June 06	30 June 05
	Notes	$'000	$'000	$'000	$'000
Assets					
Current assets					
Cash and cash equivalents	9	**79,336**	16,273	**79,336**	16,273
Trade and other receivables	10	**7,296**	6,631	**8,072**	6,631
Inventories	11	**6,137**	4,448	**6,137**	4,448
Derivative financial assets	12	**59**	-	**59**	-
Deferred mining costs	13	**11,488**	-	**11,488**	-
		104,316	27,352	**105,092**	27,352
Non-current assets classified as held for sale	14	**-**	21,072	**-**	21,072
Total current assets		**104,316**	48,424	**105,092**	48,424
Non-current assets					
Restricted cash and cash equivalents	9(d)	**647**	11,801	**647**	11,801
Receivables	10	**-**	-	**-**	595
Available for sale financial assets	15	**29,510**	-	**29,510**	-
Property, plant and equipment	17	**9,991**	8,996	**9,132**	8,137
Deferred mining costs	13	**3,744**	-	**3,744**	
Exploration and evaluation	18	**1,916**	9,067	**1,916**	9,067
Mine properties	18	**16,928**	5,781	**16,928**	5,781
Other financial assets	19	**-**	-	**178**	179
Total non-current assets		**62,736**	35,645	**62,055**	35,560
Total assets		**167,052**	84,069	**167,147**	83,984
Liabilities					
Current liabilities					
Trade and other payables	20	**28,692**	16,344	**40,093**	16,344
Interest bearing liabilities	21	**1,600**	1,541	**1,600**	1,541
Derivative financial liabilities	12	**9,372**	-	**9,372**	-
Total current liabilities		**39,664**	17,885	**51,065**	17,885
Non-current liabilities					
Payables	22	**-**	-	**-**	11,402
Interest bearing liabilities	23	**298**	7,000	**298**	7,000
Provisions	24	**28,003**	39,111	**28,003**	39,111
Total non-current liabilities		**28,301**	46,111	**28,301**	57,513
Total liabilities		**67,965**	63,996	**79,366**	75,398
Net Assets		**99,087**	20,073	**87,781**	8,586
Equity					
Contributed equity	25	**205,815**	135,053	**205,815**	135,053
Reserves	26(a)	**5,365**	3,107	**5,365**	3,107
Accumulated losses	26(b)	**(112,093)**	(118,087)	**(123,399)**	(129,574)
Total equity		**99,087**	20,073	**87,781**	8,586

The above Balance Sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2006

		Consolidated		Parent Entity	
		30 June 06	30 June 05	30 June 06	30 June 05
	Notes	$'000	$'000	$'000	$'000
Total equity at the beginning of the financial year		**20,073**	30,660	**8,586**	13,383
Adjustment on adoption of AASB 132 and 139, net of tax, to:					
Investment fair value reserve	40	**887**	-	**887**	-
RCF Convertible liability reserve	40	**407**	-	**407**	-
Restated total equity at the beginning of the financial year		**21,367**	30,660	**9,880**	13,383
Changes for fair value of available for sale of financial assets, net of tax	26(a)	**5,907**	-	**5,907**	-
Changes for fair value of cash flow hedge, net of tax	26(a)	**(3,521)**	-	**(3,521)**	-
Net income recognised directly in equity		**2,386**	-	**2,386**	-
Profit/(loss) for the year		**6,019**	6,831	**6,200**	(6,223)
Total recognised income and expense for the year		**8,405**	6,831	**8,586**	(6,223)
Transaction with equity holders in their capacity as equity holders:					
Decrease of minority interest on deconsolidation of subsidiary	31	**-**	(18,844)	**-**	-
Contributions of equity	25(b)	**72,327**	9,276	**72,327**	9,276
Share buy backs	25(b)	**(4,008)**	-	**(4,008)**	-
Share swap buy back	25(b)	**-**	(8,514)	**-**	(8,514)
Employee share options (share based payment reserve)	37(b)	**996**	664	**996**	664
		69,315	(17,418)	**69,315**	1,426
Total equity at the end of the year		**99,087**	20,073	**87,781**	8,586

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

CASH FLOW STATEMENTS
For the year ended 30 June 2006

	Notes	Consolidated 30 June 06 $'000	Consolidated 30 June 05 $'000	Parent Entity 30 June 06 $'000	Parent Entity 30 June 05 $'000
Cashflows From Operating Activities:					
Receipts from customers (inclusive of GST)		**116,182**	44,508	**116,182**	44,508
Payments to suppliers and employees (inclusive of GST)		**(123,697)**	(44,939)	**(123,516)**	(40,348)
Interest received		**1,514**	301	**1,514**	301
Interest paid		**(409)**	-	**(409)**	-
Finance charges - hire purchase agreements		**(44)**	(98)	**(44)**	(98)
Borrowing costs paid and gold lease fees		**-**	(239)	**0**	(239)
Net cash (outflow) inflow from operating activities	34	**(6,454)**	(467)	**(6,273)**	4,124
Cashflows From Investing Activities:					
Proceeds from sale of property, plant and equipment		**16,783**	4,706	**16,783**	5,733
Proceeds from sale of tenements		**225**	42	**225**	42
Proceeds on sale of available for sale financial assets		**5,984**	9,862	**5,984**	9,862
Payment for property, plant and equipment		**(1,247)**	(202)	**(1,247)**	(40)
Payments for investments in available for sale financial assets		**(200)**	-	**(200)**	-
Payments for development of mining properties		**(23,770)**	-	**(23,770)**	-
Payments for investments in investments		**-**	(458)	**-**	(458)
Payments for exploration interests		**(1,916)**	-	**(1,916)**	-
Payments for acquisition of business combination, including associated expenses		**-**	(2,874)	**-**	(2,874)
Reduction in cash on disposal of controlled entity		**-**	(5,168)	**-**	-
Net funds from controlled entities		**-**	-	**-**	545
Net cash (outflow) inflow from investing activities		**(4,140)**	5,908	**(4,140)**	12,810
Cashflows From Financing Activities:					
Net proceeds from issue of shares		**65,660**	4,051	**65,660**	4,051
Proceeds from borrowings: premium funding/hire purchases		**2,605**	9,035	**2,605**	8,853
Share buy backs		**(4,008)**	-	**(4,008)**	-
Movement in restricted cash and cash equivalents		**11,648**	(10,430)	**11,648**	(8,940)
Principal repayments under secured loans		**-**	(3,500)	**-**	(3,500)
Principal repayments - hire purchase agreements		**(365)**	(183)	**(365)**	(183)
- insurance premium funding		**(1,883)**	(990)	**(1,883)**	(943)
Loans to subsidiaries		**-**	-	**(181)**	-
Net cash inflow (outflow) from financing activities		**73,657**	(2,017)	**73,476**	(662)
Net increase in cash & cash equivalents		**63,063**	3,424	**63,063**	16,272
Cash and cash equivalents at the beginning of the year		**16,273**	12,849	**16,273**	1
Cash & cash equivalents at the end of the year		**79,336**	16,273	**79,336**	16,273

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

NOTES TO THE FINANCIAL STATEMENTS

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

St Barbara Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 1205 Hay Street, West Perth WA 6005.

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

The financial report was authorised for issue by the directors on 8 September 2006. The Company has the power to amend and reissue the financial report.

Note 1 - Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for St Barbara Limited as an individual entity and the consolidated entity consisting of St Barbara Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with AIFRS

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of St Barbara Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Instruments: Presentation and Disclosure.

Application of AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards.

These financial statements are the first St Barbara Limited financial statements to be prepared in accordance with AIFRS. AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of St Barbara Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing St Barbara Limited 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in Note 40.

Early adoption of standards

Recently issued or amended Australian Accounting Standards not yet effective and not adopted for the year ended 30 June 2006, are not expected to result in significant accounting policy changes or have a material financial impact on the Group or parent entity.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of St Barbara Limited (''Company'' or ''parent entity'') as at 30 June 2006 and the results of all subsidiaries for the year then ended. St Barbara Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de consolidated from the date that control ceases.

Note 1 - Summary of significant accounting policies *cont*

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of St Barbara Limited.

(ii) Joint ventures – jointly controlled assets

Details of joint ventures are set out in Note 32.

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

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

(i) Product sales

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 consolidated entity;
- the quantity, quality and selling price of the product can be determined with reasonable accuracy; and
- the product has been despatched to the metals refinery and is no longer under the physical control of the consolidated entity or the metals refinery has formally acknowledged legal ownership of the product including all inherent risks.

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

Note 1 - **Summary of significant accounting policies** *cont*

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iii) Dividends

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

(f) Exploration and evaluation/mine properties

(i) Exploration and evaluation

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

(ii) Mine properties

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

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

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 mineable reserves. The calculation of amortisation takes into account future costs which will be incurred to develop all the proven and probable reserves. Pre-production credits, including the value of marketable metals extracted during mine development, are credited against costs incurred. Changes to mineable reserves are applied from the beginning of the report period.

(g) Deferred mining

Certain mining costs, principally those that relate to the stripping of waste and which relate to the future economically recoverable ore to be mined, have been capitalised and included in the balance sheet as deferred mining. These costs are deferred or taken to the production costs as the case may be, so that each ounce of ore produced bears the same average cost of waste removal per ounce of ore, as determined by the waste to ore ratio derived from the current mine plan. The waste to ore ratio and the remaining life of the mine are regularly assessed by the Directors and management to ensure the carrying value and the rate of deferral is appropriate.

(h) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 1 - **Summary of significant accounting policies** *cont*

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company and its wholly owned Australian entities have elected not to implement the tax consolidation legislation.

(i) Leases

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

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

(j) Business combinations

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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 exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(k) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible impairment at each reporting date.

(l) Cash and cash equivalents

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

Note 1 - **Summary of significant accounting policies** *cont*

(m) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are usually due for settlement no more than 30 days from the date of recognition.

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

(n) Inventories

Raw materials and stores, ore stock piles and gold stocks are stated at the lower of cost and net realisable value.

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

(o) Non current assets (or disposal groups) held for sale

Non current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non current asset (or disposal group) is recognised at the date of derecognition.

Non current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(p) Investments and other financial assets

From 1 July 2004 to 30 June 2005

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.
Under previous AGAAP, interests in listed and unlisted securities, other than subsidiaries and associates, were brought to account at cost and dividend income was recognised in the income statement when receivable. Transaction costs were excluded from the carrying amounts.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held to maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis by reference to the closing market price for investments. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

For further information concerning the adjustments on transition date reference should be made to the following notes:

- Available-for-sale financial assets – Note 15
- Reserves and retained profits – Note 26
- Explanation of transition to AIFRS – [Note 40: section 5 of this note discloses the adjustment to each line item in the financial statements on transition date]

Note 1 - Summary of significant accounting policies *cont*

From 1 July 2005

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

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

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets. Loans and receivables are included in receivables in the balance sheet and are shown in Note 10.

(iii) Available for sale financial assets

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

Regular purchases and sales of investments are recognised on trade date to the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Fair value is determined by reference to closing market prices as at the end of the financial period. Fair value for securities held in escrow is determined by discounting the closing market price.

(q) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 12. Movements in the hedging reserve in shareholders' equity are shown in Note 26.

(i) Cash flow hedge

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

Note 1 - Summary of significant accounting policies *cont*

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory) or a non financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

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

(ii) Derivatives that do not qualify for hedge accounting

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

(r) Fair value estimation

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

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

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

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

(s) Property, plant and equipment

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

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

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

Buildings	10 years
Plant and equipment	3 - 13 1/3 years

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

Note 1 - Summary of significant accounting policies *cont*

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(t) Trade and other payables

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

(u) Borrowings

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

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

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

(v) Borrowing costs

Borrowing costs incurred in establishing finance facilities are capitalised and amortised over the term of the finance facility or five years; whichever is the shorter.

(w) Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(x) Employee benefits

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

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

(ii) Long service leave

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

Note 1 - Summary of significant accounting policies *cont*

(iii) Share based payments

Share based compensation benefits are provided to employees via the St Barbara Limited Employees' Option Plan and shareholder approved executive options. Information relating to these schemes is set out in Note 37.

Shares options granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in respect of these options or shares issued to employees for nil consideration. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Shares options granted after 7 November 2002 and vested after 1 January 2005

The fair value of Executive Options and options granted under the St Barbara Limited Employees' Option Plan are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

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

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

(iv) Retirement benefit obligations

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

(v) Executive bonuses

Senior executives may be eligible for annual bonuses subject to achievement of Key Performance Indicators, as recommended by the Remuneration Committee and approved by the Board of Directors from time to time.

(y) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

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

(z) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

(aa) Earnings per share

(i) Basic earnings per share

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

Note 1 - **Summary of significant accounting policies** *cont*

(ab) Restricted cash and cash equivalents

Funds placed on deposit with financial institutions to secure performance bonds are classified as Non-Current Restricted Cash and Cash Equivalents.

(ac) Goods and Services Tax (GST)

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(ad) Rehabilitation and mine closure costs

The consolidated entity has obligations to dismantle, remove, restore and rehabilitate certain items of property, plant and equipment.

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

AASB 137 Provisions, Contingent Liabilities and Contingent Assets requires a provision to be raised for the present value of the estimated cost of settling the rehabilitation and restoration obligations existing at balance date. The estimated costs are discounted using a pre-tax discount rate that reflects the time value of money. The discount rate must not reflect risks for which future cash flow estimates have been adjusted. A discount rate of 7.0% has been used in calculating the rehabilitation and restoration provisions of the consolidated entity.

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

(ae) Financial instrument transaction costs

The consolidated entity has taken exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The consolidated entity has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP, transaction costs were excluded from the amounts disclosed in the financial statements. Under AIFRS, such costs are included in the carrying amounts. At the date of transition to AASB 132 and AASB 139 the adjustment to carrying amounts for the consolidated entity was immaterial.

(af) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 2 - Financial risk management

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

Risk management is carried out by management under policies approved by the Board of Directors.

(a) Market risk

(i) Commodity price risk

The Group is exposed to Australian gold price risk. This arises through sales of the Group's main commodity, gold. The commodity price risk may be hedged using derivative instruments, to secure cash flows from mining operations.

(ii) Equity securities price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet either as available for sale or at fair value through profit or loss.

(iii) Fair value interest rate risk

Refer to (d) below.

(b) Credit risk

The Group has no significant concentrations of credit risk with revenues primarily derived from gold sales direct to refiners or hedge counter parties. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

(c) Liquidity risk

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

(d) Cash flow and fair value interest rate risk

The Group has significant interest bearing assets however, as these assets are short dated (90 days or less) the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

Note 3 - Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of assets

The recoverable amount of each Cash Generating Unit (CGU) is determined as the higher of value-in-use and fair value less costs to sell, in accordance with accounting policy 1(k). These calculations require the use of estimates, which have been outlined in accounting policy 1(k).

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

Note 3 - Critical Accounting Estimates And Judgements *cont*

The key sources of estimation uncertainty are set out below:

- estimates of future Australian gold prices;
- future capital and operating costs for Southern Cross gold operations for which additional information will progressively become available in the next financial year; and
- extent of economically recoverable reserves for Southern Cross and Leonora gold operations.

(ii) Mining and development costs

Expenditure for the Gwalia Deeps project at Leonora which does not form part of the Cash Generating Units assessed for impairment has been carried forward in accordance with policy 1(f) on the basis of the existence of sufficiently economically recoverable reserves, or the Company's ability through a disposition of its interests to recover its spent costs.

(iii) Rehabilitation and mine closure provisions

As set out in Note 1(ad), the value of these provisions represents the discounted value of the present obligation to restore, dismantle and rehabilitate certain items of property, plant and equipment. The discounted value reflects a combination of management's assessment of the cost of performing the work required, the timing of the cash flows and the discount rate of 7%.

A change in any, or a combination, of the three key assumptions used to determine the provisions could have a material impact to the carrying value of the provision (refer to Note 24).

(iv) Available for sale financial assets

Non-derivative investments in marketable securities are valued using fair value accounting principles. The ultimate value achievable for those assets depends on the market value at the time of divestments less transaction costs.

(v) Income tax

The consolidated entity is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is not finalised until statutory tax returns are lodged with the appropriate authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made which is usually the subsequent financial year.

The key assumptions made regarding the income tax expense for the current year are the deductibility for tax purposes of all exploration expenditures and the level of capital gains on asset disposals that can be shielded by available capital losses.

(b) Critical judgements in applying the entity's accounting policies

(i) Derivative financial instruments

Gold hedge contracts with an aggregate mark-to-market value of negative $9,372,000 have been designated as effective hedges and accounted for in accordance with Note 1(q). Management's assessment is that the derivatives have been highly effective in offsetting changes in the fair value of the future cash flows against which they have been designated and, as such, movements in the intrinsic fair value (before tax) of $5,029,000 that would otherwise have been recorded directly in the Income Statement have been deferred in the Hedging Reserve.

(ii) Recovery of deferred tax assets

Net deferred tax assets of $19,634,000, including tax losses are not recognised. Management has assessed that it is not yet probable that these tax losses will be recoverable against future taxable profits.

Note 4 - Segment Information

The consolidated entity operates predominantly in the minerals exploration and mining industry in Australia.
The consolidated entity's head office is in Australia.

	Consolidated		Parent entity	
	2006	2005	2006	2005
Note 5 - Revenue	$'000	$'000	$'000	$'000
Sales revenue				
Sale of gold	**115,263**	46,553	**115,263**	46,553
	115,263	46,553	**115,263**	46,553
Other revenue				
Interest	**1,514**	397	**1,514**	397
	1,514	397	**1,514**	397
Total revenue	**116,777**	46,950	**116,777**	46,950

Note 6 - Other Income

Profit on sale of assets	**22,796**	5,809	**22,796**	5,293
Gain on subsidiary becoming an associate	**-**	13,920	**-**	-
Other	**137**	164	**137**	164
	22,933	19,893	**22,933**	5,457

Note 7 - Expenses

Profit/(loss) before income tax includes the following specific expenses:

Depreciation				
Buildings	**49**	70	**49**	70
Plant and equipment	**583**	736	**583**	736
Total depreciation	**632**	806	**632**	806
Amortisation				
Mine development costs	**8,641**	7,287	**8,641**	7,287
Plant/equipment finance leases	**267**	-	**267**	-
Total amortisation	**8,908**	7,287	**8,908**	7,287
Finance costs				
Interest and finance charges paid/payable	**773**	524	**773**	524
Finance costs expensed	**773**	524	**773**	524
Rental expense relating to operating leases				
Lease payments	**365**	188	**365**	188
Total rental expense relating to operating leases	**365**	188	**365**	188

Note 8 - Income tax benefit

(a) Income tax benefit

Deferred income tax benefit	**1,428**	-	**1,428**	-

	Consolidated		Parent entity	
	2006	2005	2006	2005
Note 8 - Income tax benefit *cont*	$'000	$'000	$'000	$'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(loss) before income tax benefit	**4,591**	6,831	**4,772**	(6,223)
Tax at the Australian tax rate of 30% (2005 - 30%)	**1,377**	2,049	**1,432**	(1,867)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income				
Legal and other capital expenditure	**106**	448	**106**	448
Share based payments	**299**	199	**299**	199
Information technology costs	**176**	-	**176**	-
Share issue costs	**(143)**	-	**(143)**	-
Sundry items	**33**	310	**33**	235
(Prior year tax losses not recognised now recouped)/tax losses not recognised	**(3,276)**	(3,006)	**(3,331)**	985
Income tax benefit	**(1,428)**	-	**(1,428)**	-

Refer to Note 8(c) for details of the deferred tax benefit.

	Consolidated 2006	Consolidated 2005	Parent entity 2006	Parent entity 2005
(c) Deferred tax balance				
Deferred tax liabilities				
Investment fair value reserve [(i)]	**9,790**	-	**9,790**	-
Depreciation	**260**	-	**260**	-
Accrued income	**486**	3	**486**	3
Mining properties - exploration	**1,916**	9,066	**1,916**	9,066
Mining properties - development	**10,029**	-	**10,029**	-
Prepayments	**-**	1,864	**-**	1,864
Inventory	**-**	2,637	**-**	2,637
Total	**22,481**	13,570	**22,481**	13,570
Tax effect @ 30%	**6,744**	4,071	**6,744**	4,071
Deferred tax assets				
Tax losses	**49,074**	4,267	**49,074**	4,267
Unrealised Gold Hedging revaluation reserve [(i)]	**5,029**	-	**5,029**	-
Unrealised loss on gold derivative	**4,342**	-	**4,342**	-
Provisions and accruals	**29,481**	5,948	**29,481**	5,948
Depreciation	**-**	9,201	**-**	9,201
Total	**87,926**	19,416	**87,926**	19,416
Tax effect @ 30%	**26,378**	5,825	**26,378**	5,825
Net deferred tax asset (unbooked)	**19,634**	1,754	**19,634**	1,754

(i) These deferred tax balances have initially been recognised via equity. As the deferred tax asset recognised via equity is less than the deferred tax liability recognised via equity this has resulted in an income tax benefit for the year of $1,428,000 (2005: $nil).

	Consolidated		Parent entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Note 9 - Current assets - Cash and cash equivalents				
Cash at bank and on hand	**75,361**	1,454	**75,361**	1,454
Deposits at call	**3,975**	14,819	**3,975**	14,819
	79,336	16,273	**79,336**	16,273

(a) Cash at bank and on hand

Cash at bank at 30 June 2006 invested "at call" was earning interest of approximately 4.75% pa calculated daily.

(b) Deposits

The deposits at 30 June 2006 invested at call were earning 5.65% and deposits invested for 60 days maturing 6 August 2006 at an interest rate of 5.85% per annum.

(c) Restricted cash (non-current)

Term deposits	**647**	11,801	**647**	11,801

Restricted cash is cash placed on deposit to secure bank guarantees in respect of obligations entered into for office rental obligations and environmental performance bonds issued in favour of the Western Australian Department of Industry and Resources.

Note 10 - Trade and other receivables				
Current assets				
Trade receivables	**3,057**	2,561	**3,057**	2,561
Provision for doubtful receivables	**-**	(56)	**-**	(56)
Sub-total	**3,057**	2,505	**3,057**	2,505
Subsidiary loans	**-**	-	**1,896**	-
Less provision for non-recovery	**-**	-	**(1,120)**	-
	-	-	**776**	-
Other receivables	**2,624**	2,262	**2,624**	2,262
Prepayments	**1,615**	1,864	**1,615**	1,864
Total	**7,296**	6,631	**8,072**	6,631
Non-current assets				
Subsidiary loans	**-**	-	**-**	2,225
Less provision for non-recovery	**-**	-	**-**	(1,630)
Total				595

(a) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained.

(b) Effective interest rates and credit risk

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

	Consolidated		Parent entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Note 11 - Current assets - Inventories				
Consumables	**2,476**	2,635	**2,476**	2,635
Less: provision for obsolescence	**-**	(130)	**-**	(130)
Ore stockpiles	**2,774**	-	**2,774**	-
Gold in circuit	**887**	1,943	**887**	1943
	6,137	4,448	**6,137**	4,448

	Consolidated		Parent entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Note 12 - Derivative financial instruments				
Current assets				
Listed options at fair market value	**59**	-	**59**	-
Current liabilities				
Commodity hedge contracts	**9,372**	-	**9,372**	-

(a) Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005. At the date of transition to these standards of 1 July 2005 listed options held for trading had no significant value.

(b) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in the Australian price of gold in accordance with the Group's financial risk management policies (refer to Note 1(q)).

(i) Gold commodity hedges

On 6 January 2006, the Company entered into a collar hedge comprising 176,000 ounces bought put options at AUD700 per ounce financed by 176,000 sold call options exercisable at AUD770/oz.

As at 30 June 2006, 126,000 ounces of committed and hedged ounces remained, comprising 115,000 ounces of bought put options and sold call options, and 11,000 ounces of gold forward sales at approximately $774 per ounce derived from the exercise of June 2006 sold call options, with a mark-to-market valuation as at that date of negative ($9,371,000) for both the Group and parent entity. Of this sum, $4,342,000 was recognised as an expense in the Income Statement, and $5,029,000 was recognised as a cash flow hedge (Gold Hedge Reserve) reduction to equity.

(c) Interest rate risk exposures

Refer to Note 16 for the Group's exposure to interest rate risk.

(d) Commodity Price Risk

The consolidated entity is exposed to Australian dollar gold commodity price risk in the normal course of its business.

The consolidated entity managed this risk in the financial year by hedging approximately 60% to 70% of forecast gold production through to June 2007. The current hedge facility was entered into in January, 2006. It comprised the purchase of 176,000 put options at A$700 per ounce financed by selling 176,000 call options at A$770 per ounce.

The following table shows the remainder of those hedged ounces undelivered (if called) as at 30th June, 2006. The committed total includes 11,000 ounces, resulting from the exercise of June 2006 sold call options, which will be delivered during July and August 2006.

Note 12 - Derivative financial instruments *cont*

In compliance with the Company's accounting policy (Refer Note 1), the hedged commitment of 126,000 ounces has been valued at negative ($9,371,000) as at 30th June, 2006 of which $4,342,000 (time and volatility value movement) is charged to the Income Statement as an expense while the remaining $5,029,000 (market value movement) is debited to Gold Hedge Reserve.

Hedged Ounces as at 30 June 2006

Expiry	Volume (ozs) Sold Calls/ Bought Puts	Committed (ozs) if Called
27 Jul 06	10,000	11,000
29 Aug 06	12,000	10,000
27 Sep 06	10,000	12,000
27 Oct 06	10,000	10,000
28 Nov 06	12,000	10,000
22 Dec 06	12,000	12,000
29 Jan 07	14,000	12,000
26 Feb 07	12,000	14,000
28 Mar 07	8,000	12,000
26 Apr 07	5,000	8,000
29 May 07	5,000	5,000
27 Jun 07	5,000	5,000
31 Jul 07	-	5,000
Total ozs	**115,000**	**126,000**

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
Note 13 - Deferred mining costs				
Current				
Deferred mining costs	**11,488**	-	**11,488**	-
Non-current				
Deferred mining costs	**3,744**	-	**3,744**	-
Note 14 - Non-current assets classified as held for sale				
Current				
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	-	14,968
- At fair value	-	-	-	-
- Accumulated depreciation	-	-	-	-
	-	14,968	-	14,968
	-	21,072	-	21,072

	Consolidated		Parent entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Note 15 - Non current assets - available for sale financial assets				
At beginning of year	-	-	-	-
Adjustment on adoption of AASB 132 and AASB 139	3,420	-	3,420	-
Additions	19,779	-	19,779	-
Disposals	(3,420)	-	(3,420)	-
Revaluation surplus transferred to equity	9,731	-	9,731	-
At end of year	29,510	-	29,510	-

(a) Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005. At the date of transition to these standards of 1 July 2005:

- equity securities with a carrying amount of $2,533,000 that were classified in the balance sheet under previous AGAAP as other financial assets were designated and re classified as available for sale financial assets; and
- an adjustment of $887,000 was recognised. This represented an initial gain on remeasurement to fair value of assets that under previous AGAAP had been measured at cost.

For further information refer to section 5 of Note 40.

(b) Listed securities

Listed securities include shares listed on Australian or recognised overseas exchanges.

Investments in listed securities during the 2006 year largely arose by receiving shares as part consideration for the sale of strategic assets. These investments include:

Shares from the sale of Meekatharra:
Name: Mercator Gold plc
Number: 11,017,000
Valuation @ 30 June 2006: 17,897,000 (including 8% discount to market)

Shares from the sale of South Laverton:
Name: Saracen Minerals Limited
Number: 23,821,000
Valuation @ 30 June 2006: 9,643,000 (including 8% discount to market)

Note 16 - Financial Instruments

(a) Credit Risk Exposures

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

(b) Interest Rate Risk Exposures

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

		Fixed interest maturing in: 30 June 2006			
	Floating interest rate $'000	1 year or less $'000	Over 1 to 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets					
Cash and cash equivalents	24,336	55,000	-	-	79,336
Restricted cash and cash equivalents	248	399	-	-	647
Receivables	-	-	-	5,681	5,681
Available for sale financial assets	-	-	-	29,510	29,510
	24,584	55,399	-	35,191	115,174
Weighted average interest rate	5.42%	5.85%			
Financial liabilities					
Trade and other creditors	-	-	-	(28,692)	(28,692)
Lease liabilities	-	(346)	(298)	-	(644)
Other loans	-	(1,254)	-	-	(1,254)
	-	(1,600)	(298)	(28,692)	(30,590)
Weighted average interest rate	-	7.97%	8.17%	-	-
Net financial assets/(liabilities)	24,584	53,799	(298)	6,499	84,584

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2006

Note 16 - **Financial Instruments** *cont*	Floating interest rate $'000	Fixed interest maturing in: 30 June 2005 1 year or less $'000	Over 1 to 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets					
Cash and cash equivalents	16,273	-	-	-	16,273
Restricted cash and cash equivalents	11,801	-	-	-	11,801
Receivables	-	-	-	6,631	6,631
Investments	-	-	-	6,104	6,104
	28,074	-	-	12,735	40,809
Weighted average interest rate	5.12%				
Financial liabilities					
Trade and other creditors	-	-	-	(16,344)	(16,344)
Other loans	-	(1,541)	(7,000)	-	(8,541)
	-	(1,541)	(7,000)	(16,344)	(24,885)
Weighted average interest rate		7.00%	8.00%		
Net financial assets/(liabilities)	28,074	(1,541)	(7,000)	(3,609)	(15,924)

(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 28. 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.

(iii) Fair values

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

	2006		2005	
On balance sheet financial instruments	Carrying amount $'000	Net fair value $'000	Carrying amount $'000	Net fair value $'000
Financial assets				
- Cash and restricted cash	**79,983**	**79,983**	28,074	28,074
- Receivables	**5,681**	**5,681**	6,631	6,631
- Available for sale financial assets	**29,510**	**29,510**	-	-
- Non-current assets classified as held for sale	**-**	**-**	6,104	6,104
	115,174	**115,174**	40,809	40,809
Financial liabilities				
- Payables	**28,692**	**28,692**	16,344	16,344
- Other loans	**1,898**	**1,898**	8,541	8,541
	30,590	**30,590**	24,885	24,885

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2006

	Consolidated		Parent entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Note 17 - Non current assets - property, plant and equipment				
Land	**859**	972	**-**	113
Buildings	**-**	4,069	**-**	4,069
Less accumulated depreciation	**-**	(3,964)	**-**	(3,964)
Housing & site buildings	**1,500**	-	**1,500**	-
Plant and equipment	**8,215**	63,167	**8,215**	63,167
Less accumulated depreciation	**(583)**	(55,248)	**(583)**	(55,248)
Total	**9,991**	8,996	**9,132**	8,137

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

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
Land				
Carrying amount at the beginning of year	**972**	1,244	**113**	135
Disposals	**(5)**	(21)	**(5)**	(22)
Write off of assets	**(108)**	-	**(108)**	-
Provision for diminution	**-**	(251)	**-**	-
Carrying amount at the end of year	**859**	972	**-**	113
Buildings				
Carrying amount at the beginning of year	**105**	196	**105**	196
Disposals	**(55)**	(21)	**(55)**	(21)
Depreciation	**(49)**	(70)	**(49)**	(70)
Write off of assets	**(1)**	-	**(1)**	-
Carrying amount at the end of year	**-**	105	**-**	105
Housing & site buildings				
Carrying amount at the beginning of year	**-**	-	**-**	-
Transferred from plant & equipment	**1,500**	-	**1,500**	-
Carrying amount at the end of year	**1,500**	-	**1,500**	-
Plant and equipment				
Carrying amount at the beginning of year	**7,919**	3,507	**7,919**	3,490
Transfer from assets held for resale	**818**	(14,967)	**818**	(14,967)
Additions	**1,247**	20,200	**1,247**	20,200
Disposals	**-**	(85)	**-**	(68)
Depreciation	**(583)**	(736)	**(583)**	(736)
Transferred to inventory	**(269)**	-	**(269)**	-
Transferred to housing & site buildings	**(1,500)**	-	**(1,500)**	-
Carrying amount at the end of year	**7,632**	7,919	**7,632**	7,919
	9,991	8,996	**9,132**	8,137

(a) Non current assets pledged as security

Refer to Note 23 for information on non current assets pledged as security by the parent entity and its controlled entities.

	Consolidated		Parent entity	
	2006	2005	2006	2005
Note 18 - Non-current assets - mine properties/exploration and evaluation	$'000	$'000	$'000	$'000
Mine properties - development				
Opening balance	**5,781**	3,696	**5,781**	3,696
Direct expenditure	**23,770**	-	**23,770**	-
Acquired tenements	**-**	13,068	**-**	13,068
New rehabilitation obligations	**120**	-	**120**	-
Amortisation for the year	**(12,743)**	(7,287)	**(12,743)**	(7,287)
Disposals	**-**	(3,696)	**-**	(3,696)
Closing balance	**16,928**	5,781	**16,928**	5,781
Exploration and evaluation				
Opening balance	**9,067**	38,705	**9,067**	38,705
Acquired tenements	**135**	-	**135**	-
Expenditure for period	**1,781**	-	**1,781**	-
Provision for diminution	**-**	(775)	**-**	(775)
Deconsolidation adjustment	**-**	(28,863)	**-**	(28,863)
Disposals	**(9,067)**	-	**(9,067)**	-
Closing balance	**1,916**	9,067	**1,916**	9,067

Note 19 - Non-current assets - other financial assets

Other financial assets	**-**	-	**178**	179

Other financial assets represents the Parent entity's investment in wholly owned subsidiaries.
Refer Note 31 for further detail.

Note 20 - Current liabilities - trade and other payables

Trade payables	**27,000**	16,225	**38,401**	16,225
Other payables	**1,692**	119	**1,692**	119
	28,692	16,344	**40,093**	16,344

	Consolidated		Parent entity	
	2006	2005	2006	2005
Note 21 - Current liabilities - interest bearing liabilities	$'000	$'000	$'000	$'000
Secured				
Lease liabilities (Note 29)	**346**	76	**346**	76
Unsecured				
Insurance premium funding	**1,254**	1,465	**1,254**	1,465
Total current borrowings	**1,600**	1,541	**1,600**	1,541

(a) Insurance premium funding

The Company finances its annual insurance premiums using unsecured premium funding.

(b) Interest rate risk exposures

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

Note 22 - Non-current liabilities - payables				
Loans from controlled entities	**-**	-	**-**	11,402

Note 23 - Non current liabilities - interest bearing liabilities				
Secured				
Lease liabilities (Note 29)	**298**	-	**298**	-
Other loans (Note 23b)	**-**	7,000	**-**	7,000
Total secured non current borrowings	**298**	7,000	**298**	7,000

Note 23 - Non current liabilities - interest bearing liabilities *cont*

(a) Total secured liabilities

Carrying amounts of assets pledged as security for current and non current borrowings are:

	Consolidated		Parent entity	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Floating charge				
Cash and cash equivalents	**79,336**	16,273	**79,336**	16,273
Receivables	**7,296**	6,631	**8,072**	6,631
Inventories	**6,137**	4,448	**6,137**	4,448
Non-current assets held for sale	**-**	21,072	**-**	21,072
Derivative financial assets	**59**	-	**59**	-
Deferred mining costs	**11,488**	-	**11,488**	-
Total current assets pledged as security	**104,316**	48,424	**105,092**	48,424
Non current				
First mortgage				
Restricted cash	**647**	11,801	**647**	11,801
Mine properties/exploration and evaluation	**18,844**	14,848	**18,844**	14,848
Deferred mining costs	**3,744**	-	**3,744**	-
	23,235	26,649	**23,235**	26,649
Finance lease				
Plant and equipment	**634**	-	**634**	-
Floating charge				
Receivables non current	**-**	-	**-**	595
Available for sale financial assets	**29,510**	-	**29,688**	179
Freehold land and buildings	**1,500**	1,077	**1,500**	218
Plant and equipment	**7,857**	7,919	**6,998**	7,919
	38,867	8,996	**38,186**	8,911
Total non current assets pledged as security	**58,992**	35,645	**62,055**	35,560
Total assets pledged as security	**167,052**	84,069	**167,147**	83,984

As at 30 June 2006, assets pledged as security comprised secured lease liabilities amounting to $644,000 and an environmental performance bond facility amounting to $20,647,000.

(b) Convertible notes

On 29 March 2005, the Company drew down a $7,000,000 convertible note 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 six monthly in arrears, and with the Company to absorb withholding taxes (currently 10% of gross interest).

The $7,000,000 convertible loan was converted to equity on 27 March 2006, on conversion terms approved by shareholders at the Annual General Meeting held on 16 November 2005, being 100,000,000 shares at 7 cents each.

(c) Set off of assets and liabilities

The parent entity has established a legal right of set off with a financial institution over cash on deposit to secure the issue of environmental performance bonds issued in excess of $20,000,000. At 30 June 2006 restricted cash for this purpose amounted to $647,000 (2005: $11,801,000).

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For the year ended 30 June 2006

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
Note 24 - Non current liabilities - provisions				
Provision for rehabilitation	**27,951**	39,111	**27,951**	39,111
Employee benefits - long service leave	**52**	-	**52**	-
	28,003	39,111	**28,003**	39,111

Movements in provisions

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

Non-current

Rehabilitation

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
Balance at start of year	**39,111**	4,191	**39,111**	4,191
Additional provision made on acquisition	**-**	34,920	**-**	34,920
Additional provision for new activities	**120**	-	**120**	-
Reduction related to disposal of tenements	**(10,913)**	-	**(10,913)**	-
Unwinding of discount	**784**	-	**784**	-
Payments made	**(791)**	(791)		
Adjustment on re-estimation	**(360)**	-	**(360)**	-
Balance at end of year	**27,951**	39,111	**27,951**	39,111

	Parent entity 2006 Shares	Parent entity 2005 Shares	Parent entity 2006 $'000	Parent entity 2005 $'000
Note 25 - Contributed equity				
(a) Share capital				
Ordinary shares				
Fully paid	**819,390,567**	566,533,352	**205,815**	135,053

Note 25 - Contributed equity *cont*

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price	$,000
1 July 2004	Opening balance		574,149,157		139,400
	Debt conversion	(i)	55,000,000	$0.08	4,400
	Share issue	(ii)	17,480,547	$0.05	804
	Share placement	(iii)	42,050,000	$0.04	1,682
	Share issue costs	(iii)			(33)
	Share placement	(iv)	26,591,453	$0.05	1,223
	Share issue	(v)	21,554,172	$0.06	1,200
	Share buy-back	(vi)	(170,291,977)	$0.05	(13,623)
1 July 2005	Opening balance		566,533,352		135,053
Plus	Share issues				
	Exercise of options	(viii), (ix), (x)	63,662,275	$0.13	8,638
	Placement of new shares	(f)	99,000,000	$0.60	59,400
Less	Transaction costs arising on share issue	(f)			(2,378)
Less	Share buybacks	(vii)	(9,805,060)	$0.41	(4,008)
Plus	Conversion of convertible note	23(b)	100,000,000		6,667
Plus	Transfer of Option Reserve on conversion of options				2,443
30 June 2006			819,390,567		205,815

(i) 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.

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

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

(iv) 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.

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

(vi) 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 Limited share bought back. A total of 170,291,977 St Barbara Limited 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.

(vii) On-market buy back of shares

(viii) Shares issued on exercise of unlisted options held by Resource Capital Funds LP II

(ix) Shares issued on exercise of unlisted options held by executives and employees

(x) Shares issued on exercise of unlisted options held by SCSH Investments Pty Ltd (previously held by Resource Capital Funds LP II)

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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Note 25 - Contributed equity *cont*

(d) Options

Information relating to the St Barbara Employee Option Plan and Executive Options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 37.

(e) Share buy back

The Company announced an on-market buy-back of shares on 26 July 2005. Pursuant to this buy-back, during the financial period, a total of 9,805,060 shares were bought back at a cost of $4,008,000.

(f) Share placement

On 18 May 2006 the Company placed 99,000,000 shares at 60 cents each to raise $59,400,000 before transaction costs of $2,378,000.

	Consolidated		Parent entity	
Note 26 - Reserves and retained profits	**2006**	**2005**	**2006**	**2005**
(a) Reserves	**$'000**	**$'000**	**$'000**	**$'000**
Reserves				
Option reserve	**-**	2,443	**-**	2,443
Share based payment reserve	**1,660**	664	**1,660**	664
Investment fair value reserve	**6,794**	-	**6,794**	-
Convertible liability reserve	**432**	-	**432**	-
Gold hedge reserve	**(3,521)**	-	**(3,521)**	-
	5,365	3,107	**5,365**	3,107
Movements				
Option reserve				
Balance at start of year	**2,443**	1,959	**2,443**	1,959
Options exercised	**(2,443)**	484	**(2,443)**	484
Balance at end of year	**-**	2,443	**-**	2,443
Share based payment reserve				
Balance at start of year	**664**	-	**664**	-
Option expense	**996**	664	**996**	664
Balance at end of year	**1,660**	664	**1,660**	664
Investments fair value reserve				
Balance at start of year	**-**	-	**-**	-
Adjustment on adoption of AASB 132 and AASB 139	**887**	-	**887**	-
Transfer on disposal	**(887)**	-	**(887)**	-
Fair value adjustments	**9,731**	-	**9,731**	-
Tax effect of fair value adjustment @ 30%	**(2,937)**	-	**(2,937)**	-
Balance at end of year	**6,794**	-	**6,794**	-
RCF Convertible liability reserve				
Balance at start of year	**-**	-	**-**	-
Adjustment on adoption of AASB 132 and AASB 139	**432**	-	**432**	-
Balance at end of year	**432**	-	**432**	-
Gold hedge reserve				
Balance at start of year	**-**	-	**-**	-
Fair value adjustment	**(5,029)**		**(5,029)**	
Tax effect of fair value adjustment @ 30%	**1,508**	-	**1,508**	-
Balance at end of year	**(3,521)**	-	**(3,521)**	-

Note 26 - Reserves and retained profits *cont*	Consolidated 2006	Consolidated 2005	Parent entity 2006	Parent entity 2005
(b) Accumulated losses	**$'000**	**$'000**	**$'000**	**$'000**
Movements in accumulated losses were as follows:				
Balance at start of year	**(118,087)**	(130,027)	**(129,574)**	(128,460)
Adjustment on adoption of AASB132 and AASB139	**(25)**	-	**(25)**	-
Profit/(loss) attributable to members of St Barbara Limited	**6,019**	6,831	**6,200**	(6,223)
Share swap/buy back	**-**	5,109	**-**	5,109
Balance at end of year	**(112,093)**	(118,087)	**(123,399)**	(129,574)

(c) Investment fair value reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available for sale financial assets, are taken to the available for sale investments revaluation reserve, as described in Note 1(p). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

(d) Gold hedge reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a commodity hedge that are recognised directly in equity, as described in Note 1(q). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(e) Share based payments reserve

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

Note 27 - Remuneration of auditors

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

	Consolidated 2006	Consolidated 2005	Parent entity 2006	Parent entity 2005
	$'000	**$'000**	**$'000**	**$'000**
(a) Assurance services				
Audit services				
PricewaterhouseCoopers Australian firm:				
Audit & review of financial reports & other audit work under the Corporations Act 2001	**179**	145	**179**	145
Total remuneration for audit services	**179**	145	**179**	145
(b) Taxation Services				
PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of Company income tax returns	**93**	109	**93**	109
Total remuneration for taxation services	**93**	109	**93**	109

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice.

Note 28 - Contingencies

(a) Contingent liabilities

A summary of current litigation is as follows:

(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 approximately $6,230,000. 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 Limited 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 approximately $18,400,000.
- 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 $19,100,000. Approximately $8,400,000 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.

The allegations are denied by the Company, the claim is being robustly defended and the Company is preparing for the matter to go to trial. The Company 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 listed for trial between 6 November and 17 November 2006 inclusive.

None of the current Directors of the Company were directors of the Company at the time that the above share transactions took place in 1997.

(ii) Kingstream

On 2 July 2002, Kingstream Steel Limited (Subject to Deed of Company Arrangement) ("Kingstream") commenced proceedings in the Supreme Court of Western Australia against the Company and its 100% owned subsidiary, Zygot Ltd ("Zygot"). 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, namely Bryan Kevin Hughes and Vincent Anthony Smith.

Kingstream's claim against the Company and Zygot arises from the withdrawal by Zygot of three mining lease applications ("MLAs"). 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 supplementary Deed to include the MLAs on the basis that this was the common intention of the parties. The Company denies that such was the common intention and further denies that rectification is available. Kingstream is also seeking damages from the Company and Zygot for breach of contract and breach of duty of care. In early 2006, Kingstream provided its quantification of the damages that it claims. Such quantification is based on two reports by Snowden Mining Industry Consultants Pty Ltd.

Note 28 - Contingencies *cont*

Kingstream's particulars of alleged loss include a claim for the value of the MLAs at the time of withdrawal ($500,000), alternatively the value of the lost opportunity of acquiring the MLAs ($13,070,000), and alternatively the diminution in value of the other tenements acquired by Kingstream under the Option Deed ($14,200,000).

The proceedings are still at the interlocutory stage and have been, and will continue to be, defended.

None of the current Directors of the Company were directors at the time the relevant activities took place.

	Consolidated		Parent entity	
	2006	2005	2006	2005
Note 29 - Commitments for Expenditure	$'000	$'000	$'000	$'000
Exploration				
In order to maintain rights of tenure to mining tenements, the consolidated entity is required to outlay for tenement rentals and minimum exploration expenditure requirements of the Western Australian Department of Industry and Resources. This requirement will continue for future years with the amount dependent upon tenement holdings	**9,111**	13,746	**9,111**	13,746
Finance Lease Commitments				
Analysis of finance lease (hire purchase) commitments:				
- Payable not later than one year (refer Note 21)	**346**	76	**346**	76
- Payable later than one year, not later than five years (refer Note 23)	**298**	-	**298**	-
	644	76	**644**	76
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.				
Analysis of non-cancellable operating lease commitments				
Payable not later than one year	**358**	154	**358**	154
Payable later than one year, not later than five years	**1,475**	-	**1,475**	-
	1,833	154	**1,833**	154

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

Note 30 - Related party transactions

a) Directors and specified executives

Disclosures relating to Directors and specified executives are set out in Note 39.

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

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

During the year the Company advanced an additional sum of $181,000 (2005: $nil) to entities in the wholly owned group. Total receivables from subsidiaries amounted to $776,000 (2005: $595,000). 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.

Note 30 - Related party transactions *cont*

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

	Company 2006 $'000	Company 2005 $'000
The Company provided funding to NuStar, a controlled entity but not wholly owned, for part of the 2005 year as follows:		
Balance at beginning of financial year	-	(216)
Net funding advanced for exploration and all other activities on normal commercial terms	-	(119)
Administration service fee	-	120
Repayment	-	215
	-	-

The loan was repaid in full during the 2005 year. NuStar is no longer a controlled entity, and no further loans will be provided.

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

	Company 2006 $'000	Company 2005 $'000
Aggregate amounts receivable at balance date from:		
Non-current:		
Entities in the wholly-owned group	**1,896**	2,225
Less provision for doubtful receivables	**(1,120)**	(1,630)
	776	595
Aggregate amounts payable at balance date to:		
Current:		
Controlled entities	**-**	-
Non-current:		
Entities in the wholly-owned group	**11,401**	11,401

(e) Guarantees

Subsidiary companies have guaranteed the parent entity's obligations under the Environmental Bond Facility provided by Commonwealth Bank of Australia.

(f) Terms and conditions

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

(g) Amounts receivable from Director related entities

At 30 June 2006, there were no amounts receivable from Director related entities.

Note 30 - Related party transactions *cont*

(h) 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 Parent Entity	
		2006	2005
Director	Notes	$	$
K A Dundo	1	-	2,030
H G Tuten	2	**698,380**	262,323

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 Payments to Resource Capital Fund III LP in respect of finance facilities received, comprising a $7M Convertible Note and a $21M bank guarantee facility to secure Environmental performance bonds for the acquisition of the gold division of Sons of Gwalia Limited. H G Tuten is a Partner of RCF Management LLC the management company of Resource Capital Fund III LP.

Note 31 - Controlled entities

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

		Equity holding		Cost of Company's investment	
		June 2006	June 2005	June 2006	June 2005
Name of entity	Class of Shares	%	%	$'000	$'000
Australian Eagle Oil Co Pty Ltd	Ordinary	100	100	**178**	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	-	-
				178	179

Each company in the consolidated entity was incorporated in Australia.

The Company ceased consolidating Nustar on 30 September 2004 when it reduced its equity position to 44.7%. This equity position was progressively reduced through the financial year ended 30 June 2005 to 6.4%. The remaining investment was disposed of in the current financial year. Refer to Note 40 for further details in respect of the gain on deconsolidation for the year ended 30 June 2005.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2006

Note 32 - Interests in joint ventures

(a) Jointly controlled assets

St Barbara Limited joint venture interests as at 30 June 2006:

Joint venture	Current SBM equity number	Joint venturers
WESTERN AUSTRALIA		
Leonora Region		
Mount Newman - Victory	87%	Astro Diamond Mines N.L.
Sandy Soak	91%	Hunter Resources Pty Ltd
Melita	60%	Dalrymple Resources N.L.
Weebo	20%	Plutonic Operations Limited
McEast/Pipeline	80%	Cheperon Gold Partnership
Southern Cross Region		
Cornishman Exploration	51%	Troy Resources NL
Cornishman Mining	51%	Troy Resources NL
Silver Phantom	70%	Bellriver Pty Ltd
South Rankin	75%	Comet Resources Limited
Copperhead	51%	Troy Resources NL
Cheritons Find	90%	Audax Resources NL
Southern Cross	earning 60%	Troy Resources NL, Aminta Pty Ltd
Kalgoorlie Region		
New Mexico	40%	Tasman Exploration Pty Ltd
NORTHERN TERRITORY		
Alcoota	farming out 100%	Tanami Exploration NL
SOUTH AUSTRALIA		
Coober Pedy	12.60%	Newmont Exploration Pty Ltd, Sabatica Pty Ltd

As at 30 June 2006, there were no joint venture assets recorded in the balance sheet (2005: $nil).

Note 33 - Events occurring after the balance sheet date

On 25 July 2006, the Company announced Probable Reserves for Gwalia Deeps at Leonora of 3,100,000 tonnes at 9.0g/t of gold for 885,000 ounces.

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
Note 34 - Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities					
Profit/(loss) for the year		**6,019**	6,831	**6,200**	(6,223)
Depreciation and amortisation		**9,540**	8,093	**9,540**	8,093
Profit on sale of assets		**(22,796)**	(5,809)	**(22,796)**	(5,293)
Tax impact of deferred tax balances relating to reserves		**(1,428)**	-	**(1,428)**	-
Share of net loss of associate		**-**	577	**-**	-
Provision for diminution in investments and assets		**-**	1,023	**-**	773
Gain on subsidiary becoming an associate		**-**	(13,920)	**-**	-
Provision for rehabilitation		**-**	(34)	**-**	(34)
Provision for doubtful debts		**-**	78	**-**	78
Unrealised gain on options revaluation		**(59)**	-	**(59)**	-
Unrealised loss on derivative financial instruments		**4,342**	-	**4,342**	-
Write down of exploration tenements		**-**	775	**-**	775
Write off of assets		**109**	-	**109**	-
Share-based payments		**996**	664	**996**	664
Change in operating assets and liabilities:					
Increase in receivables		**(665)**	(3,100)	**(665)**	(4,450)
(Increase)/decrease in inventories		**(1,689)**	1,059	**(1,689)**	1,059
(Increase) in other assets		**(3,283)**	(850)	**(3,283)**	(881)
Increase in trade creditors and payables		**12,348**	-	**12,348**	-
(Decrease)/increase in employee entitlements and provisions		**(11,108)**	4,146	**(11,108)**	9,563
Increase in other liabilities		**1,220**	-	**1,220**	-
Net (outflow)/inflow cash from operating activities		**(6,454)**	(467)	**(6,273)**	4,124
Note 35 - Non cash investing and financing activities					
Acquisition of vehicles and equipment through hire purchase or finance leases		**644**	-	**644**	-
Conversion of debt to equity	1	**6,667**	5,600	**6,667**	5,600
Share swap buy-back	2	**-**	13,623	**-**	13,623
Sale of assets for part equity consideration and assumption of liabilities	3	**28,700**	-	**28,700**	-

Notes

1. Conversion of debt to equity

   On 27 March 2006, Resource Capital Fund III LP, in accordance with terms approved by shareholders, converted a $7,000,000 convertible note into 100,000,000 fully paid ordinary shares.

   On 15 July 2004, Ocean Resources Capital Holdings plc converted a $4,400,000 convertible note into 55,000,000 fully paid ordinary shares.

   On 1 December 2004, Resource Capital Fund II LP converted an unsecured advance of $1,200,000 into 21,554,172 fully paid ordinary shares.

Note 35 - Non cash investing and financing activities *cont*

2. Share swap buy-back

   In December 2004 to January 2005 the Company conducted a share swap buy-back whereby 170,291, 971 Company shares were bought back in exchange for 212,864,971 NuStar shares. As a consequence, the excess of market value over book value of NuStar shares of $5,109,000 was applied to accumulated losses.

3. Sale of assets for part equity consideration

   On 14 October 2005, the Company announced the sale of its South Laverton project to Saracen Mineral Holdings Limited (Saracen) including non-cash consideration of shares in Saracen with an issue value of $3,500,000 and assumption of environmental performance bond liabilities of $9,200,000.

   On 28 October 2005, the Company announced the sale of its Meekatharra project to Mercator Gold plc (Mercator) including non-cash consideration of shares in Mercator with an issue value of $13,000,000 and assumption of environmental performance bond liabilities of $3,000,000.

	Consolidated	
	2006	**2005**
Note 36 - Earnings per share	**Cents**	**Cents**
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company	**0.95**	1.06
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company	**0.92**	1.06

	Consolidated	
	2006	**2005**
(c) Reconciliations of earnings used in calculating earnings per share	**$'000**	**$'000**
Basic and diluted earnings per share		
Profit for the year	**6,019**	6,831

	Consolidated	
	2006	**2005**
(d) Weighted average number of shares used as the denominator	**Number**	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**633,472,702**	644,018,641
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**652,061,008**	644,018,641

(e) Information concerning the classification of securities

(i) Options

Executive Options and Options granted to employees under the St Barbara Limited Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 37.

Note 37 - Share based payments

(a) Employee Option Plan

The establishment of the St Barbara Limited Employee Option Plan was approved by shareholders at the 2001 annual general meeting. Options are granted under the plan for no consideration. Options are granted for a three to five year period, and ordinarily 50% of each new tranche vests and is exercisable after each of the first two anniversaries of the date of grant.

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

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

Note 37 - Share based payments *cont*

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

Consolidated and parent entity - 2006

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
26-Apr-02	26-Apr-07	$0.3500	75,000				75,000	75,000
26-Apr-02	26-Apr-07	$0.3500	750,000				750,000	750,000
26-Apr-02	26-Apr-07	$0.3500	100,000				100,000	100,000
26-Apr-02	26-Apr-07	$0.3500	75,000				75,000	75,000
17-Jan-03	17-Jan-08	$0.3500	75,000				75,000	75,000
2-Dec-04	2-Dec-07	$0.0800	1,000,000				1,000,000	1,000,000
23-Dec-04	23-Dec-09	$0.0472	5,000,000				5,000,000	5,000,000
23-Dec-04	23-Dec-09	$0.0472	5,000,000				5,000,000	5,000,000
23-Dec-04	23-Dec-09	$0.1500	5,000,000				5,000,000	5,000,000
23-Dec-04	23-Dec-10	$0.1500	5,000,000				5,000,000	5,000,000
23-Dec-04	23-Dec-11	$0.1500	5,000,000				5,000,000	5,000,000
2-Aug-05	2-Aug-08	$0.1350		25,000	25,000			
2-Aug-05	2-Aug-08	$0.1350		25,000	25,000			
2-Aug-05	2-Aug-08	$0.1350		25,000	25,000			
2-Aug-05	2-Aug-08	$0.1350		1,000,000	1,000,000			
17-Jan-06	17-Jan-09	$0.4900		1,000,000			1,000,000	1,000,000
12-Sep-05	12-Sep-10	$0.2300		1,000,000			1,000,000	1,000,000
30-Sep-05	30-Sep-10	$0.3300		500,000			500,000	500,000
30-Sep-05	30-Sep-10	$0.3300		500,000			500,000	500,000
30-Sep-05	30-Sep-10	$0.3300		500,000			500,000	500,000
30-Sep-05	30-Sep-10	$0.3300		500,000			500,000	500,000
30-Sep-05	30-Sep-10	$0.3300		500,000			500,000	500,000
30-Sep-05	30-Sep-10	$0.3300		500,000			500,000	500,000
30-Sep-05	30-Sep-10	$0.3300		500,000			500,000	500,000
30-Sep-05	30-Sep-10	$0.3300		250,000			250,000	250,000
30-Sep-05	30-Sep-10	$0.3300		500,000			500,000	500,000
Total			**27,075,000**	**7,325,000**	**1,075,000**	**-**	**33,325,000**	**33,325,000**
Weighted average exercise price			0.12	0.31	0.14	0.00	0.16	0.16

Note 37 - Share based payments *cont*

Consolidated and parent entity - 2005

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
26-Apr-02	31-Aug-05	$0.3500	100,000			100,000		
26-Apr-02	31-Aug-05	$0.3500	400,000			400,000		
26-Apr-02	31-Aug-05	$0.3500	75,000			75,000		
26-Apr-02	31-Aug-05	$0.3500	100,000			100,000		
26-Apr-02	31-Oct-05	$0.3500	500,000			500,000		
26-Apr-02	26-Apr-07	$0.3500	100,000		100,000			
26-Apr-02	26-Apr-07	$0.3500	75,000				75,000	75,000
26-Apr-02	26-Apr-07	$0.3500	750,000				750,000	750,000
26-Apr-02	26-Apr-07	$0.3500	100,000				100,000	100,000
26-Apr-02	26-Apr-07	$0.3500	75,000				75,000	75,000
15-Jul-02	15-Jul-05	$0.2086	49,252			49,252		
15-Jul-02	15-Jul-05	$0.2124	241,854			241,854		
15-Jul-02	15-Jul-05	$0.2125	483,482			483,482		
6-Aug-02	13-Aug-05	$0.2086	50,894			50,894		
6-Aug-02	13-Aug-05	$0.2124	249,917			249,917		
6-Aug-02	13-Aug-05	$0.2125	499,597			499,597		
13-Sep-02	6-Sep-05	$0.2086	50,894			50,894		
13-Sep-02	6-Sep-05	$0.2124	249,917			249,917		
13-Sep-02	6-Sep-05	$0.2125	499,597			499,597		
15-Oct-02	15-Oct-05	$0.2086	49,252		49,252			
15-Oct-02	15-Oct-05	$0.2124	241,854		241,854			
15-Oct-02	15-Oct-05	$0.2125	483,482		483,482			
7-Jan-03	7-Jul-06	$0.1138	3,177,890		3,177,890			
7-Jan-03	7-Jul-06	$0.2086	151,040		151,040			
7-Jan-03	7-Jul-06	$0.2124	741,686		741,686			
7-Jan-03	7-Jul-06	$0.2125	1,482,677		1,482,677			
17-Jan-03	17-Jan-08	$0.3500	75,000				75,000	75,000
7-Jul-03	7-Jan-07	$0.1138	17,430,243		17,430,243			
7-Jul-03	7-Jan-07	$0.2086	594,308		594,308			
7-Jul-03	7-Jan-07	$0.2124	2,918,376		2,918,376			
7-Jul-03	7-Jan-07	$0.2125	5,834,004		5,834,004			
28-Nov-03	24-May-08	$0.1138	14,252,357		14,252,357			
28-Nov-03	24-May-08	$0.2086	485,953		485,953			
28-Nov-03	24-May-08	$0.2124	2,386,296		2,386,296			
28-Nov-03	24-May-08	$0.2125	257,857		257,857			
2-Dec-04	2-Dec-07	$0.0800	1,000,000				1,000,000	1,000,000
16-Dec-04	16-Dec-07	$0.0800	1,000,000		1,000,000			
23-Dec-04	23-Dec-08	$0.1500	5,000,000		5,000,000			
23-Dec-04	23-Dec-09	$0.0472	5,000,000		5,000,000			
23-Dec-04	23-Dec-09	$0.0472	5,000,000				5,000,000	5,000,000
23-Dec-04	23-Dec-09	$0.0472	5,000,000				5,000,000	5,000,000
23-Dec-04	23-Dec-09	$0.1500	5,000,000				5,000,000	5,000,000
23-Dec-04	23-Dec-10	$0.1500	5,000,000				5,000,000	5,000,000
23-Dec-04	23-Dec-11	$0.1500	5,000,000				5,000,000	5,000,000
28-Jan-05	31-Dec-05	$0.1100	1,000,000		1,000,000			
Total			93,212,679	-	62,587,275	3,550,404	27,075,000	27,075,000
Weighted average exercise price			0.14	0.00	0.13	0.26	0.12	0.12

No options were forfeited during the periods covered by the above tables.

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.9 years (2005 – 4.9 years).

Note 37 - Share based payments *cont*

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2006 was calculated for each issue of options. The fair value at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, 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 2006 included:

(a) Options are granted for no consideration, in certain cases, options vested on the grant date, but generally 50% of each tranche vests after each of the first two anniversaries of the date of grant.
(b) Exercise price: ordinarily the closing market price on the grant date.
(c) Grant date: varied with each issue.
(d) Expiry date: normally 5 years from grant date.
(e) Share price at grant date: varied with each issue and ranged from $0.14 per share to $0.49.
(f) Price volatility of the Company's shares as at the grant date: varied with each issue, and ranged from 92.6% to 105.5%.
(g) Risk-free interest rate at grant date: based on bond rates for a similar term as for the options.

(b) Expenses arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Parent entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Options issued under employee option plan	**996**	664	**996**	664

Note 38 - 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:

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

Note 39 - Key management personnel disclosures

(a) Directors

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

Non-executive Chairman

S J C Wise

Managing Director & CEO

E Eshuys

Non-executive Directors

D W Bailey (appointed 17 January 2006)

R Knight

H G Tuten

M K Wheatley

Mr Wheatley resigned from the position of non-executive Director on 2 August 2006.

(b) Other key management personnel disclosures

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

Name	Position
Ross Kennedy	Chief Financial Officer/Company Secretary
Robert Klug	General Manager, Business Development (appointed 17 October 2005)
Martin Reed	General Manager, Development
Peter Thompson	General Manager, Exploration
George Viska	Acting Chief Operations Officer, General Manager, Commercial

	Consolidated		Parent entity	
	2006	2005	2006	2005
(c) Key Management Personnel Compensation				
Short term employee benefits	**1,899,132**	1,356,128	**1,899,132**	1,356,128
Post employment benefits	**212,115**	48,830	**212,115**	48,830
Retirement benefits	**-**	245,616	**-**	245,616
Share-based payments	**611,298**	1,008,839	**611,298**	1,008,839
	2,722,545	2,659,413	**2,722,545**	2,659,413

The Company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found on pages 28 to 37.

(d) Equity Instrument Disclosures Relating to Key Management Personnel

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

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in Section D of the remuneration report on pages 34 to 36.

Note 39 - Key management personnel disclosures *cont*

(ii) Option holdings

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

Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
2006						
Directors						
E Eshuys	35,000,000	-	10,000,000	-	25,000,000	5,000,000
Other key management personnel						
R Kennedy	1,000,000	-	-	-	1,000,000	1,000,000
R Klug	-	1,000,000	-	-	1,000,000	-
P Thompson	1,000,000	-	1,000,000	-	-	-
G Viska	-	1,000,000	1,000,000	-	-	-
2005						
Directors						
E Eshuys	-	35,000,000	-	-	35,000,000	5,000,000
Other key management personnel						
R Kennedy	-	1,000,000	-	-	1,000,000	1,000,000
P Thompson	-	1,000,000	-	-	1,000,000	1,000,000

(iii) Share holdings

Name	Balance at the start of the year	Exercise of options	Conversion of convertible note	Bought	Sold	Balance at the end of the year
Directors						
Colin Wise	2,800,000	-		881,709	-	3,681,709
Eduard Eshuys	1,250,000	10,000,000		-	6,150,000	5,100,000
Doug Bailey	-	-		100,000	-	100,000
Richard Knight	-	-		2,505,095	-	2,505,095
Hank Tuten	177,887,642	774,588	100,000,000	-	95,000,000	183,662,230
Mark Wheatley	-	1,000,000		-	300,000	700,000
Other key management personnel						
Ross Kennedy	-	-		20,000	-	20,000
Peter Thompson	-	1,000,000		-	-	1,000,000
Martin Reed	-	-		-	-	-
George Viska	-	1,000,000		-	500,000	500,000

Note 40 - Explanation of transition to Australian equivalents IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS).

(a) At the date of transition to AIFRS: 1 July 2004

	Notes	Consolidated			Parent Entity		
		Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Assets							
Current assets							
Cash and cash equivalents		12,849	-	12,849	1	-	1
Receivables	4(c)	1,512	630	2,142	374	599	973
Inventories		777	-	777	777	-	777
Other financial assets		188	-	188	21,888	(179)	21,709
Other - Prepayments	(c)	630	(630)	0	599	(599)	-
Sub total		15,956	-	15,956	23,639	(179)	23,460
Assets classified as held for sale		58	-	58	58	-	58
Total current assets		16,014	-	16,014	23,697	(179)	23,518
Non-current assets							
Restricted cash and cash equivalents		3,108	-	3,108	2,765	-	2,765
Receivables		-	-	-	1,140	-	1,140
Property, plant and equipment		4,947	-	4,947	3,821	-	3,821
Mining properties	(a),(g)	42,401	(42,401)	-	13,538	(13,538)	-
Mining properties							
- Exploration	(g)	-	25,110	25,110	-	13,538	13,538
Mining properties							
- Development	(g)	-	3,099	3,099	-	-	-
Other financial assets		-	-	-	-	179	179
Total non-current assets		50,456	(14,192)	36,264	21,264	179	21,443
Total Assets		66,470	(14,192)	52,278	44,961	179	44,961
Liabilities							
Current liabilities							
Payables	(d)	6,691	751	7,442	6,067	751	6,818
Interest bearing liabilities		9,832	-	9,832	8,932	-	8,932
Provisions	(d)	751	(751)	-	751	(751)	-
Total current liabilities		17,274	-	17,274	15,750	-	15,750
Non-current liabilities							
Payables		-	-	-	11,484	-	11,484
Interest bearing liabilities		75	-	75	75	-	75
Provisions		4,269	-	4,269	4,269	-	4,269
Total non-current liabilities		4,344	-	4,344	15,828	-	15,828
Total Liabilities		21,618	-	21,618	31,578	-	31,578
Net Assets		44,852	(14,192)	30,660	13,383	-	13,383
Equity							
Contributed equity							
Reserves		139,400	-	139,400	139,400	-	139,400
Accumulated losses		2,443	-	2,443	2,443	-	2,443
Parent entity interest	(h)	(115,835)	(14,192)	(130,027)	(128,460)	-	(128,460)
		26,008	(14,192)	11,816	13,383	-	13,383
Minority interest		18,844	-	18,844	-	-	
Total Equity		44,852	(14,192)	30,660	13,383	-	13,383

Note 40 - Explanation of transition to Australian equivalents IFRSs *cont*

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Consolidated 30-Jun-05			Parent Entity 30-Jun-05		
		Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Assets							
Current assets							
Cash and cash equivalents		16,273	-	16,273	16,273	-	16,273
Receivables	4(c)	4,767	1,864	6,631	4,767	1,864	6,631
Inventories		4,448	-	4,448	4,448	-	4,448
Other financial assets		-	-	-	179	(179)	-
Other - Prepayments	(c)	1,864	(1,864)	-	1,864	(1,864)	-
Sub total		27,352	-	27,352	27,531	(179)	27,352
Assets classified as held for sale		21,072	-	21,072	21,072	-	21,072
Total current assets		48,424	-	48,424	48,603	(179)	48,424
Non-current assets							
Restricted cash and cash equivalents		11,801	-	11,801	11,801	-	11,801
Receivables		-	-	-	595	-	595
Property, plant and equipment		8,996	-	8,996	8,137	-	8,137
Mining properties	(g)	14,848	(14,848)	-	14,848	(14,848)	-
Mining properties - Exploration	(g)	-	9,067	9,067	-	9,067	9,067
Mining properties - Development	(g)	-	5,781	5,781	-	5,781	5,781
Other financial assets		-	-	-	-	179	179
Total non-current assets		35,645	-	35,645	35,381	179	35,560
Total Assets		84,069	-	84,069	83,984	-	83,984
Liabilities							
Current liabilities							
Payables	(d)	16,225	119	16,344	16,225	119	16,344
Interest bearing liabilities		1,541	-	1,541	1,541	-	1,541
Provisions	(d)	119	(119)	-	119	(119)	0
Total current liabilities		17,885	-	17,885	17,885	-	17,885
Non-current liabilities							
Payables		-	-	-	11,402	-	11,402
Interest bearing liabilities		7,000	-	7,000	7,000	-	7,000
Provisions		39,111	-	39,111	39,111	-	39,111
Total non-current liabilities		46,111	-	46,111	57,513	-	57,513
Total Liabilities		63,996	-	63,996	75,398	-	75,398
Net Assets		20,073	-	20,073	8,586	-	8,586
Equity							
Contributed equity		135,053	-	135,053	135,053	-	135,053
Reserves	(b)	2,443	664	3,107	2,443	664	3,107
Accumulated losses	(h)	(117,423)	(644)	(118,087)	(128,910)	(664)	(129,574)
Total Equity		20,073	-	20,073	8,586	-	8,586

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2006

Note 40 - Explanation of transition to Australian equivalents IFRSs *cont*

(2) Reconciliation of loss under previous AGAAP to profit under Australian equivalents to IFRSs (AIFRS)

(a) Reconciliation of profit/(loss) for the year ended 30 June 2005:

		Consolidated			Parent Entity		
	Note	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Revenue	(f)	46,553	397	46,950	46,553	397	46,950
Other income	(a),(e),(f)	20,948	(1,055)	19,893	20,395	(14,938)	5,457
Changes in inventories of finished goods		(687)	-	(687)	(687)	-	(687)
Raw materials and consumables used		(6,640)	-	(6,640)	(6,640)	-	(6,640)
Carrying values of net assets and non-current assets sold	(e)	(14,578)	14,578	-	(14,541)	14,541	-
Contract mining, cartage, milling, maintenance, labour and consultants		(20,558)	-	(20,558)	(20,558)	-	(20,558)
Employee benefits expenses	(b)	(7,256)	(664)	(7,920)	(7,256)	(664)	(7,920)
Exploration and tenement expenditure		(6,107)	-	(6,107)	(6,107)	-	(6,107)
Loss on subsidiary becoming an associate	(a)	(272)	272	-	-	-	
Share of net loss of associate		(577)	-	(577)	-	-	-
Provision for diminution in value of investments		(773)	-	(773)	(773)	-	(773)
Write down of mining exploration tenements		(775)	-	(775)	(775)	-	(775)
Depreciation and amortisation		(8,093)	-	(8,093)	(8,093)	-	(8,093)
Finance costs		(524)	-	(524)	(524)	-	(524)
Other expenses		(7,358)	-	(7,358)	(6,553)	-	(6,553)
(Loss)/profit before income tax		(6,697)	13,528	6,831	(5,559)	(664)	(6,223)
Income tax expenses		-	-	-	-	-	-
(Loss)/profit for the year		(6,697)	13,528	6,831	(5,559)	(664)	(6,223)

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

(4) Notes to the reconciliations

(a) Impairment

Under previous GAAP, the carrying amounts of non-current assets valued on a cost basis were reviewed at each reporting date to determine whether they are in excess of their recoverable amount. When this assessment was made under previous GAAP, the recoverable amount was estimated on an undiscounted basis. This basis did not indicate any impairment in respect of the assets of subsidiary Nustar.

On a discount cash flow basis, an impairment of $14,192,000 was calculated on transition in respect of Nustar's assets. Nustar was deconsolidated during the half year ended 31 December 2004, and therefore the provision for impairment reversed at that time.

Note 40 - Explanation of transition to Australian equivalents IFRSs *cont*

(i) At 1 July 2004

For the Group there has been an increase in accumulated losses of $14,192,000 and a corresponding decrease in mining properties. There was no impact for the parent entity.

(ii) At 30 June 2005

At 30 June 2005 there is no impact, as the assets for which the impairment related were no longer consolidated. There was no impact on the parent entity

(iii) For the year ended 30 June 2005

Further group loss on a subsidiary becoming an associate of $272,000 becomes a profit of $13,920,000. The difference of $14,192,000 is as a result of the impact from the previous financial year's cumulative impairment losses that would have been incurred under AIFRS policies. There was no impact on the parent entity.

(b) Share based payments

Under AASB 2 Share based Payment from 1 July 2004 the Group is required to recognise an expense for those options that were issued to employees under the St Barbara Limited Option Plan after 7 November 2002 but that had not vested by 1 January 2005. The effect of this is:

(i) At 1 July 2004

There is no effect on the Group or the parent entity.

(ii) At 30 June 2005

For the Group and parent entity there has been an increase in accumulated losses of $664,000 and a corresponding increase in reserves.

(iii) For the year ended 30 June 2005

For the Group and parent entity there has been an increase in employee benefits expense of $664,000.

(c) Prepayments

Under previous AGAAP, prepayments were classified as other assets. The effect of this is:

(i) At 1 July 2004

For the Group, receivables have increased and other assets have decreased by $630,000. For the parent entity, receivables have increased and other assets have decreased by $599,000.

(ii) At 30 June 2005

For the Group, receivables have increased and other assets have decreased by $1,864,000. For the parent entity, receivables have increased and other assets have decreased by $1,864,000.

(iii) For the year ended 30 June 2005

There is no effect on the Group or parent entity.

(d) Provision for Employee Entitlements

Under previous AGAAP, the liability for annual leave entitlements was classified as a provision. The effect of this is:

(i) At 1 July 2004

For the Group, other payables have increased and provisions have decreased by $751,000. For the parent entity, other payables have increased and provisions have decreased by $751,000.

(ii) At 30 June 2005

For the Group, other payables have increased and provisions have decreased by $119,000. For the parent entity, other payables have increased and provisions have decreased by $119,000.

(iii) For the year ended 30 June 2005

There is no effect on the Group or parent entity.

Note 40 - Explanation of transition to Australian equivalents IFRSs *cont*

(e) Net gain on disposal of Property Plant and Equipment

Under previous AGAAP, proceeds from the sale of non-current assets were included in revenue and the book value of the assets sold was included in other expense. Under AIFRS, net gains on the value of assets are presented in other income and net losses in other expense. The effect of this is:

(i) At 1 July 2004 and 30 June 2005

There is no effect on the Group or parent entity.

(ii) For the year ended 30 June 2005

For the Group, other income and other expenses have decreased by $14,578,000 and for the parent entity, other income and other expenses have decreased by $14,541,000.

(f) Interest

Under AGAAP, interest revenue was classified as other income. Under AIFRS, interest revenue is included in Revenue.

For the year ended 30 June 2005, interest received amounted to $397,000.

(g) Mining properties

Under AGAAP, mining properties included both development and exploration assets. Under AIFRS these assets are separately classified.

(h) Accumulated losses

The effect on accumulated losses of the changes set out above are as follows:

		Consolidated		Parent Entity	
		1 July 2004	30 June 2005	1 July 2004	30 June 2005
	Notes	$'000	$'000	$'000	$'000
Impairment of mining properties	(a)	(14,192)	14,192	-	-
Loss on subsidiary becoming an associate	(a)	-	(14,192)	-	-
Share based payments	(b)	-	(664)	-	(664)
Total adjustment		(14,192)	(664)	-	(664)

(5) Adjustments on transition to AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement: 1 July 2005

The consolidated entity has taken the exemption available under AASB 1 to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005. The Group has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

The balance sheet below reflects the adjustments as at 1 July 2005 as a result of applying AASB 132 and AASB 139.

Note 40 - **Explanation of transition to Australian equivalents IFRSs** *cont*

		Consolidated			Parent Entity		
		30 June 05	Adjust	1 July 05	30 June 05	Adjust	1 July 05
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Current assets							
Cash and cash equivalents		16,273	-	16,273	16,273	-	16,273
Receivables		6,631	-	6,631	6,631	-	6,631
Inventories		4,448	-	4,448	4,448	-	4,448
		27,352	-	27,352			
Assets classified as held for sale	(a)	21,072	(2,533)	18,539	21,072	(2,533)	18,539
Total current assets		48,424	(2,533)	45,891	48,424	(2,533)	45,891
Non current assets							
Restricted cash and cash equivalents		11,801	-	11,801	11,801	-	11,801
Receivables		-	-	-	595	-	595
Available for sale financial assets	(a)	-	3,420	3,420	-	3,420	3,420
Property, plant and equipment		8,996	-	8,996	8,137	-	8,137
Mining properties - Development		5,781	-	5,781	5,781	-	5,781
Mining properties - Exploration		9,067	-	9,067	9,067	-	9,067
Other financial assets		-	-	-	179	-	179
Total non current assets		35,645	3,420	39,065	35,560	3,420	38,980
Total assets		84,069	887	84,956	83,984	887	84,871
Liabilities							
Current liabilities							
Payables		16,344	-	16,344	16,344	-	16,344
Interest bearing liabilities		1,541	-	1,541	1,541	-	1,541
Total current liabilities		17,885	-	17,885	17,885	-	17,885
Non current liabilities							
Payables		-	-	-	11,402	-	11,402
Interest bearing liabilities	(b)	7,000	(407)	6,593	7,000	(407)	6,593
Provisions		39,111	-	39,111	39,111	-	39,111
Total non current liabilities		46,111	(407)	45,704	57,513	(407)	57,106
Total liabilities		63,996	(407)	63,589	75,398	(407)	74,991
Net assets		20,073	1,294	21,367	8,586	1,294	9,880
Equity							
Contributed equity		135,053	-	135,053	135,053	-	135,053
Reserves	(a), (b)	3,107	1,319	4,426	3,107	1,319	4,426
Accumulated losses	(b)	(118,087)	(25)	(118,112)	(129,574)	(25)	(129,599)
Total equity		20,073	1,294	21,367	8,586	1,294	9,880

Note 40 - Explanation of transition to Australian equivalents IFRSs *cont*

(a) Available for sale financial assets

The Group and Parent Entity have investments in traded equity securities. Under AASB 139 these assets are classified as available for sale, and measured at fair value. Changes in fair value are recognised in equity until the underlying asset is sold or impaired. The effect of AASB 139 on available for sale financial assets is as follows:

(i) At 1 July 2005

There is an increase for the Group and parent entity in the investment fair value reserve of $887,000, and an increase in available for sale financial assets of $887,000. Assets classified as held for sale of $2,553,000 are also reclassified to available for sale financial assets.

(b) Convertible debt

On 29 March 2005, the Company drew down $7,000,000 from a bridge loan facility provided by Resource Capital Funds III LP ("RCFIIII"). The loan has a maturity of 31 December 2008 and may, at RCFIII's election, subject to shareholder approval be converted into 100,000,000 shares in the Company at 7c each. Shareholder approval was obtained on 16 November 2005.

In accordance with AASB 132, the issuer of a compound instrument is required to classify the debt and equity components separately. The fair value of the liability portion of this convertible debt is determined using a market interest rate for an equivalent non convertible debt. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the debt. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

(i) At 1 July 2005

Interest bearing liabilities for the Group and parent entity are decreased by $407,000, with an increase in the Conversion option reserve of $432,000. Accumulated losses will increase by $25,000.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 41 to 92 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 2006 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, 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 payable4; and

(c) the audited remuneration disclosures set out on pages 28 to 37 of the Directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001; and

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
Managing Director and CEO

Perth
8 September 2006

PRICEWATERHOUSECOOPERS

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Independent audit report to the members of St Barbara Limited

Audit opinion

In our opinion:

1. the financial report of St Barbara Limited:
   - gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of St Barbara Limited and the St Barbara Group (defined below) as at 30 June 2006, 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 8 to 18 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures by Disclosing Entities* (AASB 124) 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 balance sheet, income statement, cash flow statements, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both St Barbara Limited (the company) and the St Barbara Group (the consolidated entity), for the year ended 30 June 2006. 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 124, under the heading "Remuneration Report" on pages 8 to 18 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.

PRICEWATERHOUSECOOPERS

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 124 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, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 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

PricewaterhouseCoopers

David J Smith

David J Smith
Partner

Perth
8 September 2006

STATEMENT OF SHAREHOLDERS
as at 13 September 2006

Twenty Largest Shareholders		Shares Held	% of Total
1	Westpac Custodian Nominees Limited	130,275,792	15.87
2	Resource Capital Fund III LP	100,000,000	12.18
3	Resource Capital Fund II LP	83,662,230	10.19
4	JP Morgan Nominees Australia Limited	82,273,559	10.02
5	ANZ Nominees Limited (Cash Income A/C)	79,265,766	9.66
6	National Nominees Limited	35,419,979	4.31
7	AMP Life Limited	15,401,714	1.88
8	Merrill Lynch (Australia) Nominees Pty Limited (Berndale A/C)	14,384,000	1.75
9	UBS Nominees Pty Ltd	9,784,379	1.19
10	Citicorp Nominees Pty Limited (CFS Future Leaders Fund A/C)	8,000,000	0.97
11	Queensland Investment Corporation	7,076,369	0.86
12	Northwest Accounting Pty Ltd	5,600,000	0.68
13	Gee Nominees Pty Ltd	5,500,000	0.67
14	UBS Wealth Management Australia Nominees Pty Ltd	4,968,276	0.61
15	Mr Eduard Eshuys	4,600,000	0.56
16	Citicorp Nominees Pty Limited	4,591,864	0.56
17	Colin Wise Consulting Pty Ltd	3,300,000	0.40
18	Cogent Nominees Pty Limited (SMP Accounts)	3,123,597	0.38
19	Miroma Investment Inc	2,639,294	0.32
20	Perpetual Trustee Company Limited	2,457,000	0.30

Substantial Shareholders	Shares Held	% of Total
Resource Capital Funds II and III LP	183,662,230	22.38

Distribution of Shareholdings

Number Held	Number of Shareholders	Number of Shares
1 - 1,000	587	399,093
1,001 - 5,000	1,599	5,183,619
5,001 - 10,000	1,386	11,510,559
10,001 - 100,000	2,124	74,501,972
100,001 - and over	387	728,795,324
	6,083	820,390,567

The number of shareholders holding less than a marketable parcel was 592.

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	3,681,709
E Eshuys	5,100,000
D W Bailey	100,000
R Knight	2,505,095
H G Tuten	183,662,230

STATEMENT OF SHAREHOLDERS
as at 13 September 2006

Share Price
The Company shares were listed on the Australian Stock Exchange throughout the 2005/06 year. The closing share price on 30 June 2006 and on 13 September 2006 was 57 cents and 48 cents respectively.

On-Market Share Buy-Back
In August 2006 the Company announced a continuation of its on-market share buy-back program.

The maximum number of shares to be bought back is 56,653,335. Since the inception of the on-market buy back in August 2005, a total of 9,805,060 shares have been bought back for an outlay of $4,008,000 at an average cost of $0.41 per share.

Announcements
The Company makes both statutory announcements (activities or quarterly reports, financial reports, Appendix 5B cash statements, changes to Directors' interest) and specific announcements under Continuous Disclosure provisions on a timely basis.

Investor Relations
This Annual Report has been produced with the objective of ensuring that shareholders and interested parties are informed about Company strategy and performance to assist in deciding whether or not to make or retain an investment in the Company.

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

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

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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:

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

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CORPORATE DIRECTORY

Board of Directors

Colin Wise (Non Executive Chairman)
Eduard Eshuys (Managing Director and CEO)
Douglas Bailey (Non Executive Director)
Richard Knight (Non Executive Director)
Hank Tuten (Non Executive Director)

Company Secretary

Ross Kennedy

Registered Office

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Share Registry

Advanced Share Registry Services
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Telephone: +61 8 9389 8033
Facsimile: +61 8 9389 7871

Auditors

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

Stock Exchange Listing

Shares in St Barbara Limited are quoted on the Australian Stock Exchange
Ticker symbol: SBM

Inspecting the underground pump station, Gwalia

06

www.stbarbara.com.au

reconnecting

rebuilding

reestablishing