Building

St Barbara Limited

Annual Report 2007

Vision

St Barbara's vision is to be producing 1 million ounces of gold and have reserves of 10 million ounces by the end of 2010.

Contents

We
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Environment

Environmental responsibility is demonstrated through rehabilitating legacy sites and designing the new Gwalia village to recycle water and utilise solar energy.

Safety

The safety, health and well being of employees and contractors is of paramount importance to all at St Barbara.

Community

At Southern Cross over 24 % of our workforce is drawn from local people. This allows St Barbara to work at building a stronger community to grow with as mine life is extended.

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2007 Achievements

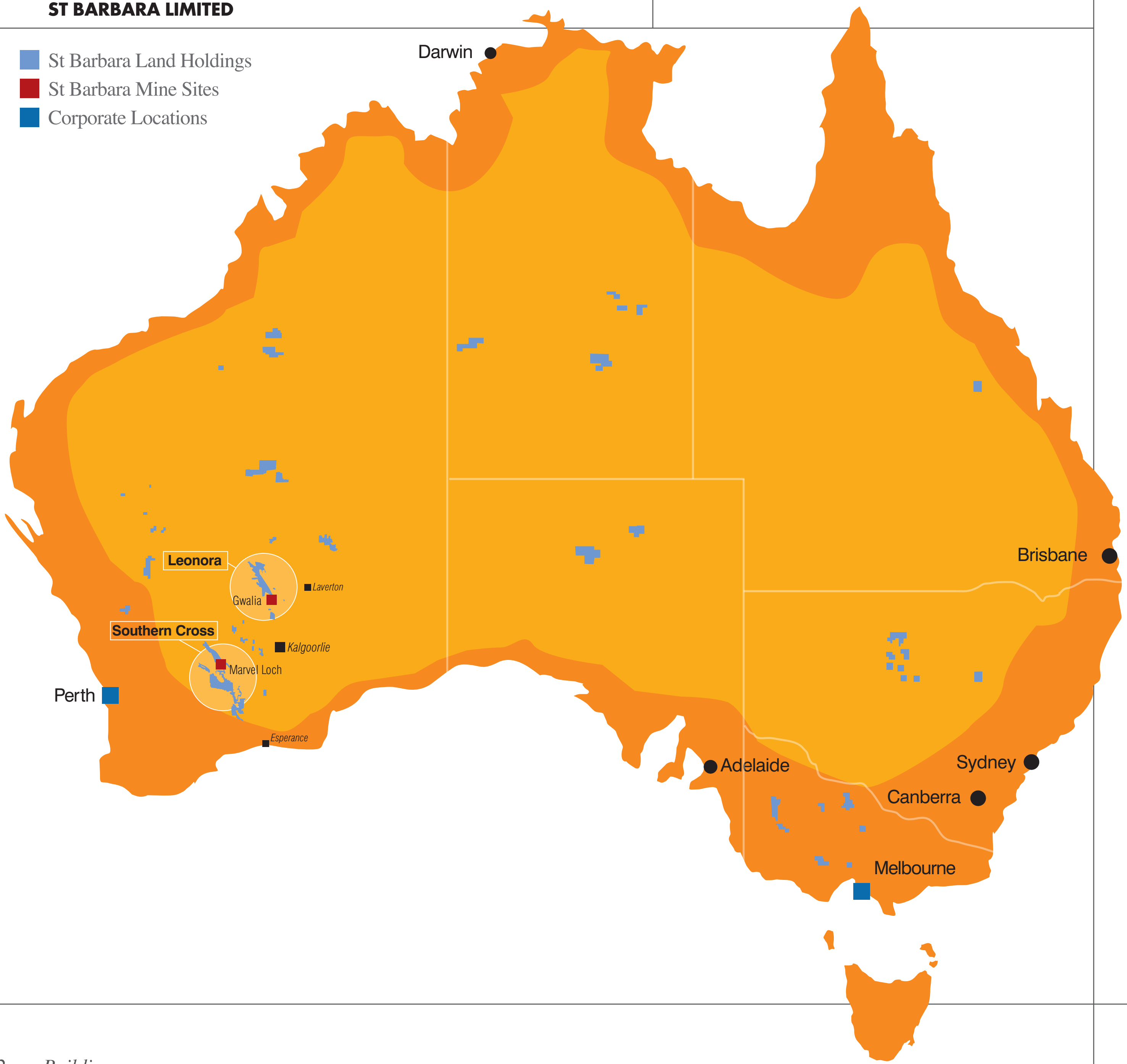
- *Doubled our reserves at Gwalia and Southern Cross to a combined total of 2.3 million ounces of gold*
- *Achieved our forecast output with the production of 171,000 ounces of gold for the year*
- *Kept the Hoover Decline at Gwalia on track, reaching a depth below surface of 770 metres at the end of June 2007 and 80% complete*
- *Purchased put options covering 1.4 million ounces to underwrite the revenue from Gwalia for nine years at A$700/oz and for Southern Cross for the 2008 financial year at A$760/oz*
- *EBITDA from Southern Cross operations up 12% to $45.7 million*
- *Raised A$100 million in convertible notes to fund development*

Immediate Objectives

- *Produce 175,000 ounces of gold in the 2008 financial year*
- *Hoover Decline to reach the top of the reserves by March 2008*
- *Commence Gwalia production in the September 2008 Quarter*
- *Establish reserves at Tower Hill and start mining*
- *Expand open pit reserves at Southern Cross*

During the year, St Barbara's landbank more than doubled to 18,000 square kilometres. The move beyond the Company's existing land position was driven by the BigGold study to find the next generation of world-class discoveries. The Company believes many areas have not been explored adequately at depth and new discoveries are most likely to be found under cover.

ST BARBARA LIMITED



Colin Wise, **Chairman**

"The momentum built in the 2006 and 2007 financial years... has provided an excellent start to the current year."

Chairman's Letter

Dear Shareholder,

It is pleasing to report that St Barbara met its 2007 financial year forecast targets of producing more than 170,000 ounces of gold from Southern Cross operations, substantially expanding the reserves and resources at Southern Cross and Gwalia, and advancing development at Gwalia, ready to commence gold production in the September 2008 quarter.

Established reserves are the life-line of a mining company - in the past year, St Barbara more than doubled reserves to 2.3 million ounces of gold. It is worth noting that when St Barbara acquired the Southern Cross operations, they were due to close in late 2005. Since then, more than 330,000 ounces have been produced and successful exploration is now expected to significantly extend mining operations until at least 2012.

At Gwalia, with historical gold production and current resources exceeding eight million ounces, the Company owns a world-class ore body that remains open at depth. Development remains on time and budget, with the Hoover Decline expected to reach the top of the ore body by March 2008. While Gwalia promises an attractive return at current prices, the Board considered it prudent to underwrite a floor price for the first nine years of mine life, through the purchase of put options. The options do not represent a firm delivery commitment of gold, nor are they a risk for the Company – they provide St Barbara with open exposure to gold price increases but an ability to sell gold at a minimum A$700 per ounce should the spot price fall below this level. Similarly, put option contracts were signed to underpin the 2008 Southern Cross production at a strike price of A$760 per ounce.

Exploration initiative and success have become distinguishing features of St Barbara. Results are not measured solely by increasing reserves. During the year and especially in recent months, a re-evaluation of established mining areas near the Gwalia and Marvel Loch gold treatment plants identified extensive mineralisation which has the capability to significantly increase the Company's resource and reserve position.

St Barbara now has a substantial landbank including 5,000 highly prospective square kilometres in close proximity to established Company - owned treatment plants and related infrastructure. The Company is well placed in pursuit of its targeted annual gold production rate of one million ounces by the end of 2010 to be underpinned by ten million ounces of reserves.

The establishment of a new corporate office in Melbourne earlier this year placed the Company in closer contact with its institutional shareholder base and related broking and funding sources. An expanded senior management team led by Mr. Eduard Eshuys provides a strong framework for St Barbara to grow. The Company's management now has the capacity to provide the skills we need to plan for and run larger operations and grow our workforce from within.

During the year, Mr. Phil Lockyer and Ms Barbara Gibson were welcome additions to the Board. A Board Health & Safety Committee was established and Directors visited the operations on a number of occasions. St Barbara has an appropriate governance structure for the current stage of the Company's business.

In July 2007, St Barbara's largest shareholder reduced its holding to under 10%, enabling a wider spread of Australian and offshore institutional investors to join the register. It is gratifying to note such strong levels of support. The consequential improvement in liquidity of our shares should benefit all shareholders.

Although the recent turbulence in the share market has seen increased general investor uncertainty, it has not affected the underlying value of Company assets or the development of our operations. The Company is fully exposed to increases in the gold price, while protected by a floor price on the downside.

The momentum built in the 2006 and 2007 financial years by the management and employees of St Barbara has provided an excellent start to the current year. The Tower Hill discovery has created tremendous excitement, and all at St Barbara are focused on delivering our targets for this year and the continuing development of our objective of becoming a substantial and highly regarded Australian gold producer and explorer.

Colin Wise, Chairman
1 October 2007

Eduard Eshuys

"We continue to generate exciting new opportunities like Tower Hill."

Managing Director's Review

Meeting the objectives we set ourselves is important in delivering long-term value for shareholders and building credibility with all stakeholder groups. It is a credit to the efforts of our employees and contractors to report a number of achievements in the past year.

2007 OVERVIEW

St Barbara produced 171,000 ounces of gold from its Southern Cross operations.

Reserves increased by over 1 million ounces to 2.3 million ounces of gold. Mine life at both Gwalia and Southern Cross has been extended significantly.

The Hoover Decline at Gwalia was 80% complete and is on schedule to reach the top of the ore body by March 2008.

Put options were purchased to underwrite the future revenues of the operations. For Gwalia, we purchased put options over nine years covering 1.4 million ounces at a price of A$700/oz, while at Southern Cross, we purchased put options to cover 174,000 ounces at A$760/oz for the 2008 financial year.

The net loss after tax was $2.9 million but EBITDA from our operations rose to $45.7 million.

Apart from the success in increasing reserves, our exploration team undertook initial drilling for nickel that has found encouraging evidence for high-grade massive nickel sulphides, and acquired tenements throughout Australia in the search for the next generation of discoveries.

In June, the Company raised A$100 million before costs in convertible notes with an 8% coupon, which are listed on the Singapore Exchange. The conversion price of 73c per share was at a 35% premium to the then current price and limits the potential dilution for shareholders.

The corporate office moved to Melbourne and has expanded, providing St Barbara with the depth of management it needs to achieve growth objectives.

Since the end of the year, an exciting development has been exploration drilling which has intersected significant gold mineralisation at Tower Hill, two kilometres from the Gwalia plant at Leonora.

Growth and Opportunities. Our vision remains for St Barbara to be a producer at the rate of 1 million ounces per year with a reserve of 10 million ounces of gold by the end of 2010.

The achievements listed have been an important step on that development path. However, to achieve these goals there are some key further steps we need to take:

- Convert promising exploration results at Southern Cross into open pit reserves. There are almost 20 targets within trucking distance of the Marvel Loch mill and we have prioritized and examined each target. Many of them were old mines which closed when gold was less than A$400 an ounce and they were being exploited by small high-cost plants. We are confident former open pits at GVG and Nevoria will yield reserves that will enable a substantial expansion of production and extension of mine life at Southern Cross.
- Follow-up exploration work at Tower Hill and develop reserves to support higher throughput for the Gwalia mill. The results at Tower Hill show great potential not only for open cut reserves but also for underground reserves. As the mill at Gwalia, which is only two kilometres away, has considerable additional capacity, ore can be processed at an early date at a low incremental cost.
- Increase mining production at Southern Cross to about 220,000 ounces per year. Now that Marvel Loch underground is close to its optimum output level, development of Nevoria, where new reserves were recently established, is a priority. This, combined with higher-grade production such as the recent Bronco East discovery, will facilitate achievement of production targets.
- Complete the Hoover Decline by the March quarter 2008 and the additional development and plant refurbishment required to allow Gwalia production to start in the September 2008 quarter. It has been a significant challenge to keep the decline on track, and after reaching the top of the ore body, we will press hard to complete all the development to allow a measured increase in gold production from the initial 100,000 ounces per year to around 220,000 ounces per year within two years.

In addition, ancillary infrastructure such as refrigeration plants, the expansion of the gold treatment plant, and accommodation and related facilities must be either upgraded or installed. Plans are underway to recruit the skilled workforce needed to operate the modern operation we are building. Supplementing this effort, the Company is constantly examining opportunities for future growth through acquisitions and greenfield discoveries. These include:

- The BigGold study, which has been responsible for the acquisition of 9,000 square kilometres of additional tenements or tenement applications. The study focuses on looking at targets in under explored areas under surface cover. Land has been acquired in Victoria, New South Wales and South Australia. Although gold is the main target, base metal opportunities are also considered.
- The acquisition of gold assets (either separately or in a corporate structure) which have the potential to add more than 150,000 ounces of gold per year to the Company's total production base.
- As part of our strategy of building options, the Company acquired 10% of Bendigo Mining Limited during the year. Bendigo has had to reassess its strategy after initial mining results disappointed and St Barbara believes the potential for the goldfield remains attractive, and is prepared to wait to see how events unfold.

Apart from our very strong gold focus, St Barbara's land position in Western Australia is also prospective for other minerals. Our tenements are on the edge of major nickel belts and have not been explored to the depth which is normally required to intersect nickel sulphide mineralisation. Initial drilling at Sullivans has yielded encouraging results and further drilling is planned.

Similarly, sections of the Leonora tenements are on the geological trend which contains a number of copper/ zinc discoveries, also at depth. As a result, we are embarking on an active exploration programme targeting potential base metal ore bodies and expect to start exploration in the 2008 fiscal year.

Carrying out our plans requires skills, funding and support. The past year has seen the Company invest in increasing the number and range of skills among our senior team so we are better able to assess internal and external opportunities. Support functions such as human resources and information technology also need to be expanded to give managers and employees the information and skills to carry out their responsibilities.

Building the structure to fund our ambitions has taken a considerable part of the year, supported by the A$100 million convertible note issue. A robust reporting and capital allocation system has been established to ensure we allocate resources to the most appropriate opportunities.

Environment. During the year, the Company continued with the environmental rehabilitation of old areas it had acquired with the 2005 purchase of the Sons of Gwalia gold assets. Apart from the usual work involved in environmental monitoring and control, the Company has added several beneficial environmental features to the new accommodation it is building at Leonora for the Gwalia mine. This includes recycling water, utilising solar energy and possibly, solar water heating.

Community. As the potential life of our operations increases, the Company is building stronger links into our local communities by taking time to understand the community and respond to its needs. At Leonora, discussions with the local school have led the Company to support installation of more computers to increase the skills development of the children. At Southern Cross and Leonora, a portion of the workforce is drawn from the local community as opposed to all being fly-in/fly-out. This reduces employee turnover and allows for better local skill development. This residential focus at Leonora has also seen the Company taking steps to better understand the needs and employment potential of local indigenous groups.

Safety. Safety is an integral part of the workplace throughout the Company and fundamental to the wellbeing of all who work for or with St Barbara. Continuous improvement is encouraged throughout all levels of the Company, based on the belief that all occupational injuries and illnesses are preventable.

Outlook. We have three key targets for this time next year - the production of 175,000 ounces of gold from our Southern Cross operations, the completion of development and preparations for production from Gwalia and, subject to the finalisation of the drilling and feasibility study, the commencement of open pit production from Tower Hill. This will be supported by vigorous activity to build a framework for long-term profitable operations across the Company. Exploration remains a key driver for St Barbara and efforts to extend our open pit reserves and look at the base metal potential of our tenements will give the Company more options to fulfil its growth plans.

Eduard Eshuys
Managing Director & CEO
1 October 2007

"07 forecasts achieved"

Operations & Development

The objective is to be producing at the annual rate of 450,000 ounces of gold per annum from Southern Cross and Leonora in the December quarter of 2008.

STRATEGIC

Southern Cross operations produced 171,000 ounces of gold for the 2007 financial year, meeting the forecast.

The immediate strategic focus is to sustain and extend the life of the Southern Cross operations and develop production at Gwalia and Tower Hill.

The objective is to be producing at the annual rate of 450,000 ounces of gold per annum from Southern Cross and Leonora in the December quarter of 2008.

Southern Cross operations produced 199,000 tonnes of underground ore from Marvel Loch for the June 2007 quarter, clearly demonstrating the capability of long-term Marvel Loch underground production of 800,000 tonnes per annum; an important component of the Company's total gold production target rate.

Gwalia's development has remained on schedule. The Hoover Decline is planned to reach the top of the ore body by March 2008. Successful on-time commissioning of mining by September 2008 is also a key component to achieve the target rate of gold production.

SAFETY

Safety is an integral part of the workplace throughout the Company and fundamental to the wellbeing of all who work for, or with, St Barbara.

Training and awareness-raising is ingrained into most daily procedures, ranging from safety meetings at the beginning of each shift to formal inductions, safety advisory committees and a 'fit for work' policy. It also involves 'risk assessment' at the commencement of new tasks and activities.

The company-wide Lost Time Injury Frequency rate fell from 6.2 in the previous year to 4.7 this year. While an improvement, this rate is still above the WA Gold Industry average for 2005/06 of 4.4 and above the level for which the Company aims.

Production Details	Total 2006/07	Total 2005/06
Open Pit Ore Mined (t)	**903,000**	**1,329,046**
Grade (g/t)	2.7	2.1
Underground Ore Mined (t)	**603,000**	**315,112**
Grade (g/t)	4.0	5.7
Ore Milled (t)	**2,228,000**	**2,351,369**
Grade (g/t)	2.6	2.4
Recovery (%)	92	91
Gold Production	**171,182**	**166,000**
Cash Operating Cost A$/oz	**508**	**443**

SOUTHERN CROSS OPERATIONS

Current operations comprise the Marvel Loch gold treatment plant, Marvel Loch underground mine and open pits at Hercules and GVG.

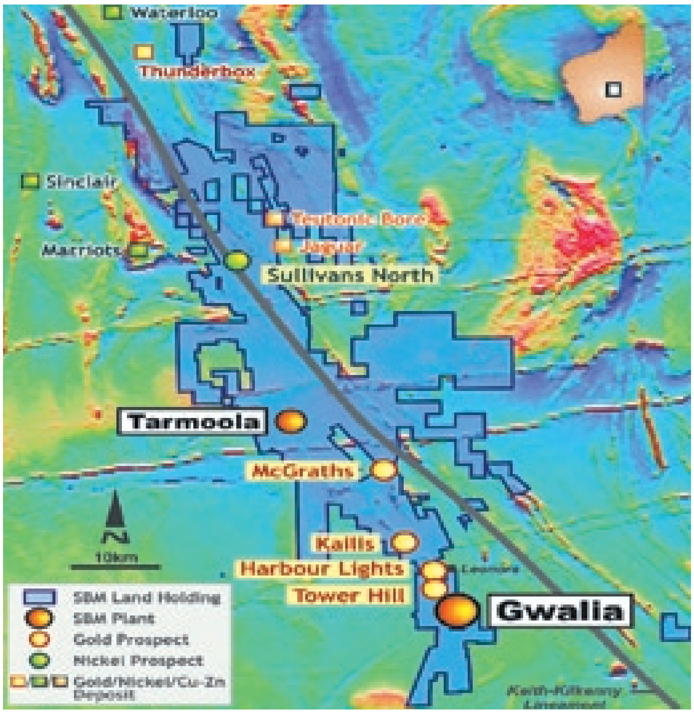
Gold Production. The treatment plant processed 2.4 million tonnes in the financial year at a grade of 2.4g/t, with both utilisation and recovery rates above budget. Notwithstanding the age of the plant, the standard of performance remains high. In the 2008 financial year, over A$9 million will be spent on upgrading the water supplies, tailings facilities, mills, technical support equipment and other plant facilities.

Marvel Loch Underground. The Marvel Loch underground mine is adjacent to the treatment plant. Gold mineralisation extends over a 1.3km strike length and has been identified to depths of over 800 metres below surface. The ore body comprises multiple lodes. Those currently 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. Gold production from Marvel Loch underground mine for the year was 75,000 ounces compared to reserves for the same mining areas of 37,000 ounces; a positive reconciliation of 204%. This provides support for both the geological model and the mining plan.

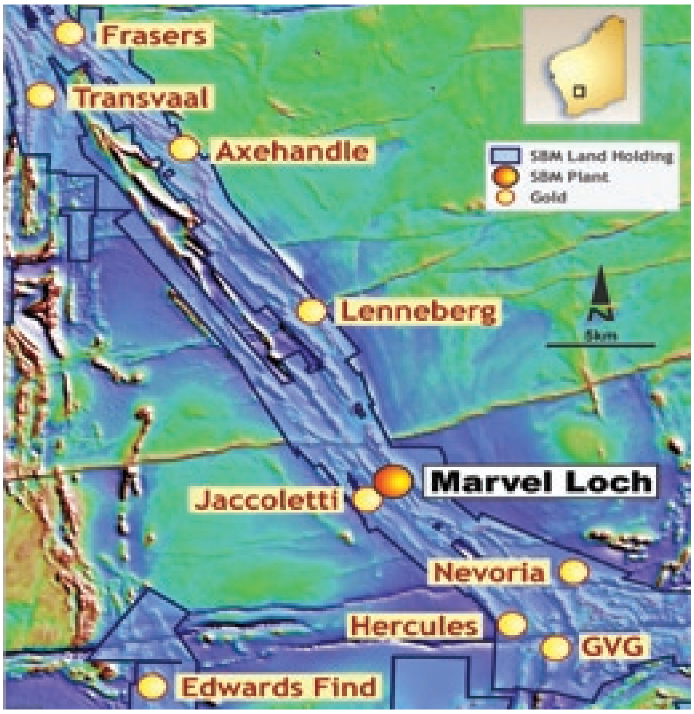
During the year there was significant capital expenditure to improve the productivity of the mining and processing operations. Underground, new electrical transformers and cabling provided a 130% increase in electricity reticulation. A new underground pumping station gave a 70% increase in dewatering capacity and improvements to the ventilation system yielded a 45% improvement in underground ventilation capacity. In total, development rates improved by 25% and stope production rates were up by 85%.

New trucks have also begun to be delivered as part of a fleet replacement program providing further productivity improvements. An upgraded drilling jumbo fleet will increase development rates. The underground mine is scheduled to deliver 800,000 tonnes during the 2008 year. This is double the scheduled production rate for the 2007 year, but in line with underground production for the June 2007 quarter.

Open Pit Operations. Hercules, 12km south of the Marvel Loch treatment plant, was a major source of open pit feed for the plant in the past year. Hercules and Hercules Central open pits produced 85,000 ounces of gold for the year, compared to reserves for the same mining areas of 81,000 ounces; a positive reconciliation of 5%. The small Hercules Central lode was discovered during the year and quickly incorporated in the mine plan. This illustrates the flexibility of the current arrangements and potential for incremental feed from a wide range of sources at Southern Cross. During the year, additional open pit production came from the GVG Cutback, historic GVG leach pads and other associated stockpiles.



Leonora operations: St Barbara's tenements are shown on a background derived from magnetic surveys. It shows some of the Company's numerous gold targets and the structural trend that is associated with many of the nickel sulphide deposits in the region.



Southern Cross operations: St Barbara's tenements are shown on a background derived from magnetic surveys. Highlighted are some of the 20 plus old open pits that are being re-evaluated for additional reserves.

GVG is close to the Hercules open pit infrastructure, including workshops and haul roads. In the current year, the GVG area, with historical production of 335,000 ounces, will become a much more important source of open pit feed. The GVG area was initially developed in the 1980s as a series of small pits over a 7 kilometre strike length to depths of 50-80 metres. This was based on a small, high-cost plant and a gold price of around A$400 per ounce. St Barbara's drilling around and beneath the existing small pits has identified new ore. At the Great Victoria Mine, St Barbara has removed the old engineering facilities, accessing previously sterilised ground and allowing a substantial cutback to the old pit. At GVG, there are low-grade stockpiles which can be blended with the underground ore, delivering both feed to the treatment plant over the next 18 months and the rehabilitation of the stockpile area to the appropriate standard. At the same time waste from the GVG cutback will be used to rehabilitate a legacy tailings dam.

Forecast. Southern Cross operations are forecast to produce 175,000 ounces of gold for the 2008 financial year at a forecast cash operating cost of A$505 per ounce. Forecast costs are lower than the previous year due to improved grade and tonnes from open pits and increased production from Marvel Loch Underground.

LEONORA OPERATIONS

Gwalia Approval. The Gwalia gold mine has one of the longest operating histories and largest gold production records in Australia. It is a world-class ore body with historical production and current resources exceeding 8 million ounces of gold.

The Board approved the development and mining of Gwalia in February 2007 based on a detailed feasibility study completed in December 2006. In May 2007, the detailed budget review process for 2007/08 confirmed the November 2006 Gwalia feasibility study costs and schedules.

Hoover Decline. At the end of August 2007, the Hoover Decline reached a vertical depth of more than 815 metres below surface and is now over 80% complete. Ground conditions remained favourable with little sign of increasing stress with increased depth.

The decline remains on schedule and on budget to reach the top of the Gwalia mining area during the March 2008 quarter. This will allow development for mining to commence with the intention of starting gold production in the September 2008 quarter. Mining will be within the depth interval of 1,030 metres below surface to 1,640 metres below surface. Gwalia underground ore production is scheduled initially at 500,000 - 600,000 tonnes per annum.

Surface Development. The development of the 820 metre deep, 5.5 metre diameter Main Ventilation Shaft began in the June 2007 quarter. The pilot hole for the Main Ventilation Shaft has reached the target depth ahead of schedule. The ventilation shaft is forecast to be completed during the March 2008 quarter.

Other surface infrastructure needed for the mine includes a refrigeration plant for cooling underground air temperatures to levels suitable for a healthy environment and a paste fill plant. Supporting the whole operation requires a new gas-fired power generation facility and a substantial upgrade to the accommodation facilities at Leonora. Refurbishment of the Gwalia treatment plant has commenced and when completed, the plant will have a capacity of approximately 1.2 million tonnes per year of hard rock and up to 1.8 million tonnes per year, when softer open pit material is blended.

St Barbara spent A$38 million on Gwalia's development during the 2007 financial year and will spend another A$110 million during the 2008 financial year. Life of mine cash costs for the project are forecast at A$405 per ounce. This will place the Gwalia mine in the bottom half of the cost curve for Australian producers.

The current Gwalia reserves will sustain production for at least 10 years. Gold production will be at the initial rate of 100,000 ounces per annum in the 2009 financial year building up to 150,000 ounces per year during the 2010 financial year.

DEVELOPMENT

Drilling for potential open pit reserves at Southern Cross and Leonora operations is continuing, to complement the long-term underground reserves which have been established, and provide optimum treatment plant throughputs and lower unit production costs.

Leonora. The addition of open pit ore to the Gwalia mill would significantly reduce the unit cost of A$29 per tonne milling and administration charge used in the Gwalia feasibility study, and increase cash flow.

Tower Hill, which is two kilometres from the Gwalia plant, has been identified as a potential open pit and/or underground opportunity and recent good results have seen a pre-feasibility study accelerated to consider the development options.

“Building assets for the future”

Kailis, which was previously mined in the 1990s, 10 kilometres north of Gwalia, and several other targets are also being re-evaluated as potential sources of open pit ore.

Southern Cross. Open pit mining at Southern Cross will continue at Hercules Central and the GVG cutback. Recent drilling results at Nevoria, 11 kilometres south-east of Marvel Loch, complement previously estimated reserves of 90,000 ounces and form the basis for a potentially longer-term operation comprising open pit and underground mining activities. The new discovery of Bronco East will also be evaluated as a source of open pit feed during the year.

Transvaal, which was previously mined in the 1990s, 35 kilometres north of the Marvel Loch plant, is currently being re-evaluated as a potential open pit or underground opportunity.

Marvel Loch plant, where $9 million will be spent in the coming year to increase efficiency and availability.

Reserves & Resources

Proven & Probable Reserves Statement at 30 June 2007

	Proven			Probable			Total		
Region	kTonnes	Au g/t	koz	kTonnes	Au g/t	koz	kTonnes	Au g/t	koz
Southern Cross									
Marvel Loch	950	4.0	120	2,200	4.1	290	3,100	4.1	410
Nevoria				670	4.1	90	670	4.1	90
Hercules				450	2.4	34	450	2.4	34
GVG				530	1.6	27	530	1.6	27
Other	110	1.9	7	1,300	0.8	34	1,400	0.9	41
Sub total	1,100	3.7	130	5,100	2.9	480	6,200	3.0	600
Leonora									
Gwalia				5,600	9.4	1,700	5,600	9.4	1,700
Total in all areas	1,100	3.7	130	11,000	6.3	2,200	12,000	6.0	2,300

Notes – Southern Cross:
1) Information in this report that relates to Southern Cross Ore Reserves is based on information compiled by Mr. Jacobus Kirsten and Mr. Sam Larritt who are Members of the Australasian Institute of Mining and Metallurgy. Both Mr. Kirsten and Mr. Larritt are full-time employees of the Company. Mr. Kirsten and Mr. Larritt 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. Kirsten and Mr. Larritt consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.
2) The ore reserve estimates for Hercules and GVG used a gold price of A$750/oz. The gold price is based on put options bought by the Company, exercisable at A$760 each, for the twelve months within which these reserves are expected to be mined. A cut-off grade of 0.9g/t, dilution of 5% and mining recovery of 97.5% were applied. Metallurgical recovery is 93%.
3) The ore reserve estimate for Nevoria used a gold price of A$700/oz and a cut-off grade of 3.0g/t. A dilution of 10% and mining recovery of 75% were applied to all lodes. Metallurgical recovery is 93%.
4) The ore reserve estimate for Marvel Loch used a gold price of A$700/oz and a cut-off grade of 3.0g/t. A dilution of 30% and mining recovery of 85% were applied to Undaunted lode, a dilution of 12% and mining recovery of 90 % were applied to Sherwood lode, a dilution of 5% and mining recovery of 95% were applied to Exhibition lode, New lode and East lode, a dilution of 20% and mining recovery of 95 % were applied to Firelight lode. Metallurgical recovery is 93%.
5) All data is rounded to two significant figures. Discrepancies in summations will occur due to rounding.

Notes – Leonora:
1) The information in this report that relates to Gwalia Deeps Ore Reserves is based on information compiled by Mr. Per Scrimshaw and Mr. Daniel Donald, who are members of the Australasian Institute of Mining and Metallurgy. Mr. Scrimshaw is a consultant to, and Mr. Donald an employee of, St Barbara Limited and both have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Mineral Resources and Ore Reserves”. Mr. Scrimshaw and Mr. Donald 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 ore reserve estimate for Gwalia Deeps used a gold price of A$700/oz and a cut-off grade of 5.0g/t. The gold price is based on put options bought by the Company, exercisable at A$700 per ounce, corresponding to the period of time within which these reserves are expected to be mined. Dilution factors between 8% and 20% at 0.2g/t Au were applied based on stope width. Mining recovery factors are based on geotechnical studies and vary from 85% to 50% depending on depth of mining. Metallurgical recovery is 95%.
3) All data is rounded to two significant figures. Discrepancies in summations will occur due to rounding.

"Extending mine life"

Mineral Resource (including Reserves) Statement at 30 June 2007

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	1,520	4.6	224	3,420	4.5	498	600	4.2	81	5,540	4.5	803
Nevoria	-	-	-	1,080	4.6	161	260	4.4	37	1,340	4.6	198
GVG/Hercules	-	-	-	2,690	2.1	185	210	1.5	10	2,900	2.1	195
Other	110	2.0	7	2,690	2.4	206	2,030	2.8	180	4,830	2.5	393
Sub total	1,630	4.4	231	9,880	3.3	1,050	3,100	3.1	308	14,610	3.4	1,589
Leonora												
Gwalia	-	-	-	10,440	8.4	2,835	1,930	11.6	720	12,370	8.9	3,555
Gwalia (above 1040 mbs)	-	-	-	-	-	-	2,400	6.5	502	2,400	6.5	502
Tarmoola	12,000	0.9	347	46,000	1.2	1,775	-	-	-	58,000	1.1	2,122
Other	990	1.0	33	4,830	1.5	230	3,920	2.7	336	9,740	1.9	599
Sub total	12,990	0.9	380	61,270	2.5	4,840	8,250	5.9	1,558	82,510	2.6	6,778
Total in all areas	14,620	1.3	611	71,150	2.6	5,890	11,350	5.1	1,886	97,120	2.7	8,367

1) The information contained in this report has been compiled by Mr Alex Hatch, Mr Peter Thompson and Mr Paul Payne. Messrs Hatch and Thompson are Members of the Australasian Institute of Mining and Metallurgy and full-time employees of the Company. Mr Payne is a Member of the Australasian Institute of Mining and Metallurgy and a contractor to the Company. Messrs Hatch, Thompson and Payne 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'. Messrs Hatch, Thompson and Payne consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

2) Data has been rounded to the nearest 10,000 tonnes, 1000 ounces and 2 significant figures for the grade. Discrepancies in summations will occur due to rounding.

Exploration

During the year, the Company's resource and reserve base expanded substantially and it established a prospective landbank of 18,000 square kilometres around Australia.

- Geological interpretation and analysis of existing deposits within the Leonora and Southern Cross tenement areas provided the basis for the Company's planned expansion of production.
- A base metals exploration group was established, with significant research backup, and identification of key nickel and copper-zinc targets.
- Successful targeting and acquisition of priority targets for gold and copper-gold in South Australia, NSW and Victoria.

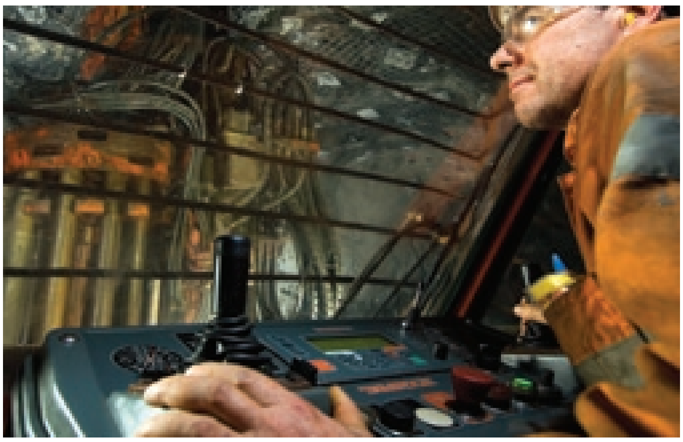
Subsequent to year end, a significant discovery was made at Tower Hill and further high-grade mineralisation has been identified at Nevoria and GVG. The emphasis in the coming year will focus on converting these promising discoveries into open pit reserves. Significant achievements from exploration activity in the 2007 financial year include:

- Total Company gold reserves more than doubled to 2.3 million ounces at year end, after allowing for mining depletion.
- Resources, including reserves, now total 8.4 million ounces.
- Reserves at Gwalia increased from 885,000 ounces as at 30 June 2006 to 1.7 million ounces.
- Reserves at Marvel Loch Underground increased from 116,000 ounces, after mining depletion, to 410,000 ounces.
- Gwalia's total resources (including reserves) increased by 1.4 million ounces from June 2006 to 4 million ounces and Marvel Loch total resources increased to 800,000 ounces.

Gwalia. In general the Gwalia deposit, from 1,040 metres to 1,800 metres below surface, has an average resource endowment of 5,000 ounces per vertical metre, reaching a maximum of 10,000 ounces/vertical metre at a depth of 1,500 metres below surface.

The deposit is strongly mineralized and open-ended at depth but adequate drilling density, and therefore resources, are only available to 1,730 metres below surface.

The deepest two holes in the dominant lode, the Southwest Branch, down to 1,900 metres below surface, reported true widths of 20.6 metres at 21.4g/t (hole GWDD12C) and 12 metres at 35.7g/t (hole GWDD12D). These holes demonstrate the opportunity for significant extensions of mineralisation beyond the current resource.



Leonora Gold Exploration. Tower Hill lies 2 kilometres north of the Company's Gwalia gold treatment plant. Previous open pit mining at Tower Hill ceased in 1989 and recovered approximately 176,000 ounces to a depth of 80 metres. The gold mineralisation at Tower Hill is quartz-hosted, with many similarities to Gwalia.

Tower Hill has a one kilometre strike length, dipping at 40 degrees to the east. Previous drilling showed continuity of mineralisation to vertical depths of 200 metres.

Recent reverse circulation and diamond drilling has extended the mineralisation to at least 350 metres depth and achieved true width intersections of 40 metres at 6.0g/t, 30 metres at 7.2g/t, 50 metres at 3.7 g/t, 33 metres at 4.2g/t and 10 metres at 10.7 g/t

“Driving new ideas”

at depths of 250-300 metres which indicates an apparent improvement in gold grades with depth. Drilling is now underway with the objective of proving reserves by early 2008.

There remain a number of attractive potential targets for open pit mineralisation in the Leonora region, with the emphasis on the granite-greenstone contact which hosts most of the significant deposits in this belt. Other projects of interest include Harbour Lights, Forrest, Poker, Trump and Kailis.

Marvel Loch. A substantial drilling programme, involving two surface drill rigs and up to three underground rigs, has increased the underground resources at Marvel Loch to 5.5 million tonnes at 4.5g/t for 800,000 ounces. Drilling at average spacings of 20 metres by 40 metres was used. This deposit comprises a number of steeply-plunging cylindrical-shaped quartz-veined lodes, with ore thicknesses from 4 to 30 metres wide. Vertical continuity of deposits is strong. There is considerable potential for increasing resources further at depth. Two short exploration drill drives are being developed in the north and central parts of the mine to allow further resource extension drilling in the year ahead.

Southern Cross New Mine Exploration. Site-based exploration teams were formed during the year to explore systematically for new mining opportunities in proximity to the Marvel Loch plant. This has involved the compilation, validation, ranking and testing of various targets, with an emphasis on accurate interpretation of orebody controls. Successful drilling campaigns have expanded known mineralisation and, in the coming year, are expected to increase the reserves for several deposits including Nevoria and GVG.

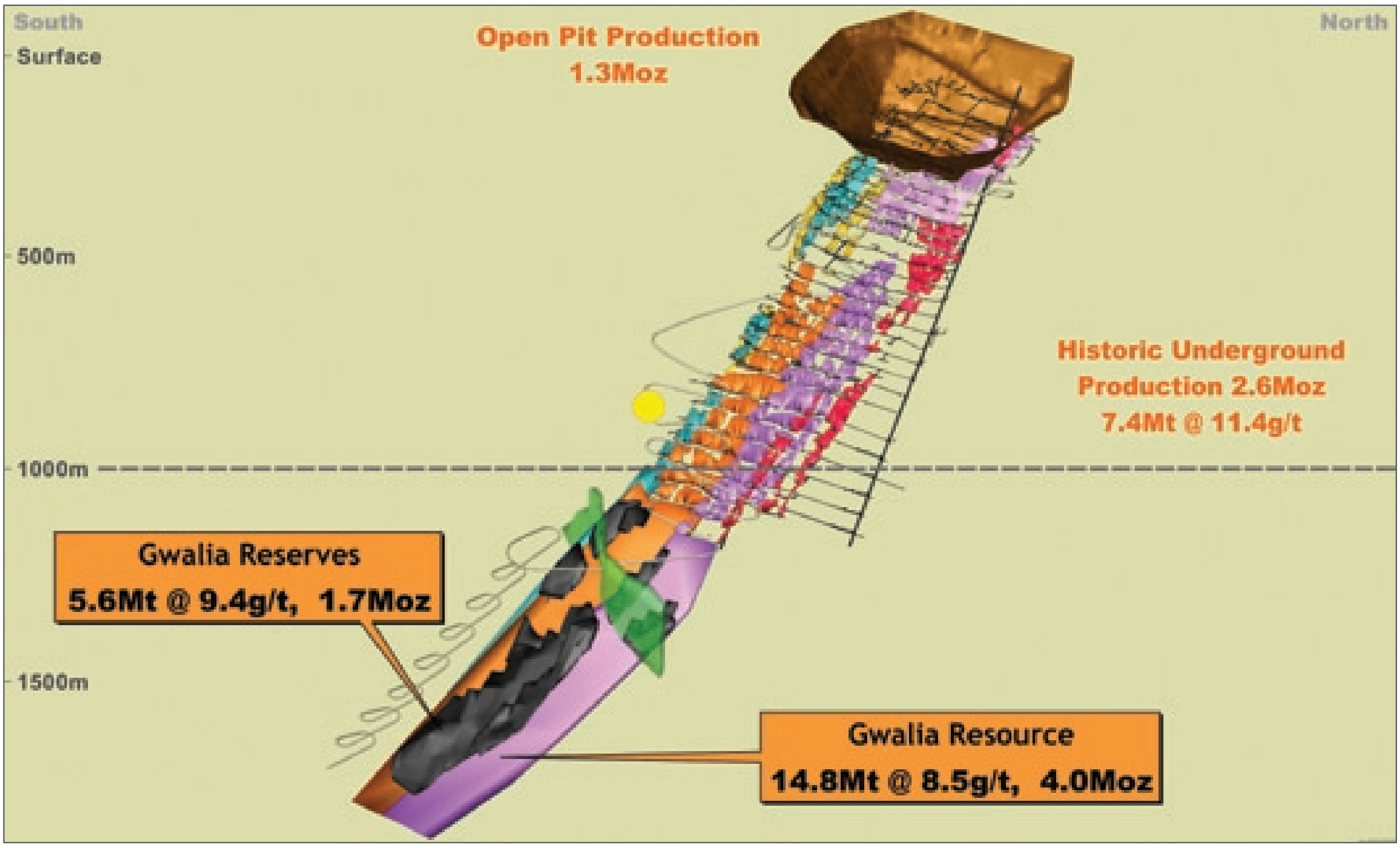
Above: The raise bored shaft of 820 metres is the longest 5.5 metre diameter shaft in Australia. It will provide underground ventilation for the Gwalia mine.

Base Metals. St Barbara's base metal exploration programmes have gained momentum over the past year. The Company's extensive tenement position means it can target nickel sulphide mineralisation along strike from the well-endowed Leinster and Forrestania operations and copper-zinc mineralisation along strike from the high-grade Teutonic Bore-Jaguar volcanic hosted metal sulphide deposits.

Results from initial reverse circulation and diamond drilling at Leonora have been encouraging. Cumulate ultramafic rocks are present, reflecting an energetic magmatic environment.
A sulphidic sediment is also intermittently developed along the basal contact, providing a potential source for sulphur saturation. Recent intersections of disseminated to blebby sulphides have confirmed the prospectivity of the ultramafic units. At the Sullivans North Prospect, diamond drill hole SUDD0003 returned 0.35m @ 1.45% nickel and 0.13% copper from 331m depth. Further targets are being defined through surface and down-hole electromagnetic surveys, and ongoing mapping and gossan search programmes.

Electromagnetic and induced polarisation surveys have also been completed along strike from the Teutonic Bore and Jaguar copper -zinc deposits. Several anomalies have been defined for drill testing. A data review has highlighted historical intersections of copper-zinc sulphide mineralisation and associated zones of alteration at the Gravel Pit and WTB-45 Prospects, on

GWALIA



St Barbara's tenements to the north of Teutonic Bore. Drilling has also been planned to target extensions to these systems.

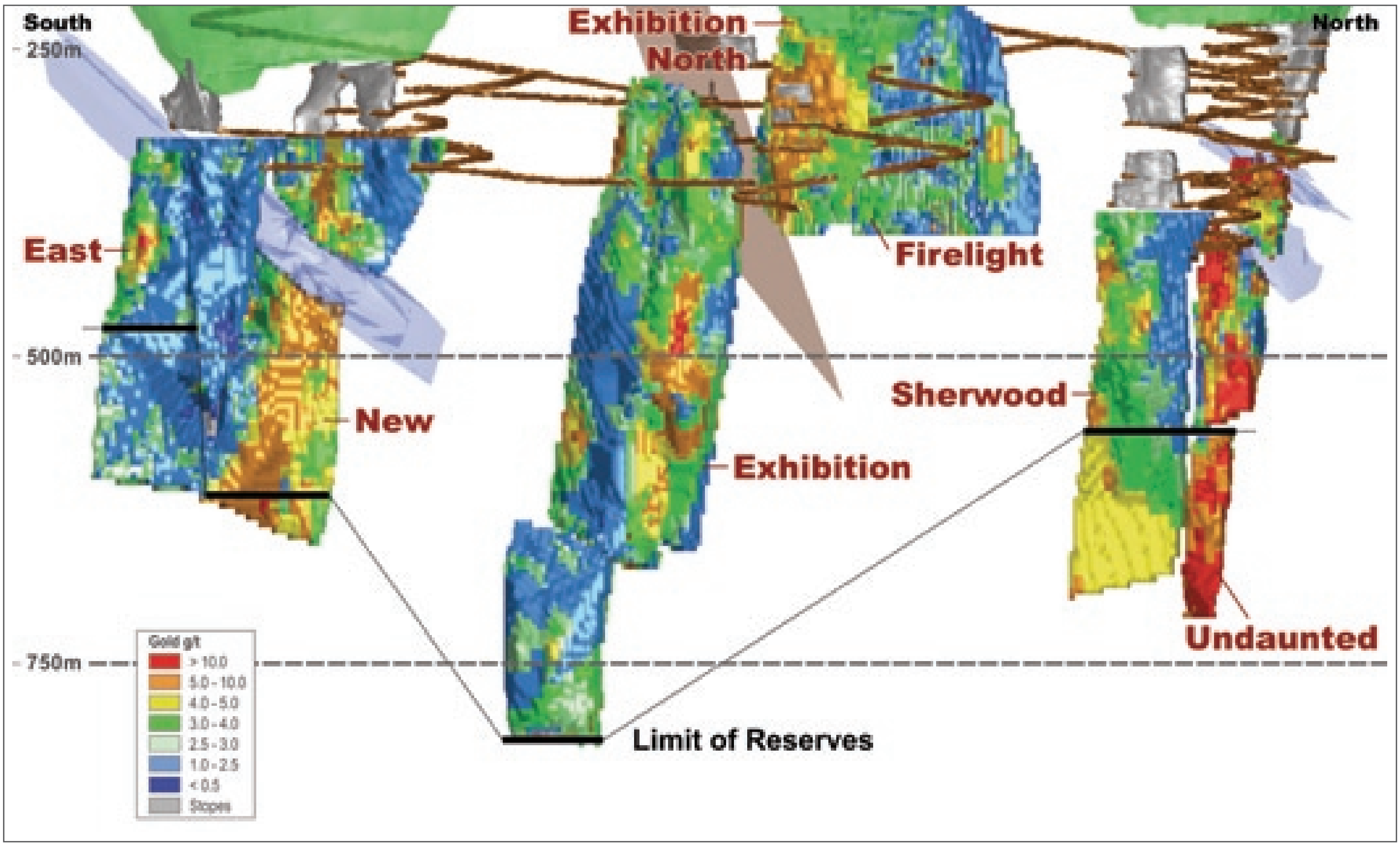
At Southern Cross, drill core is being relogged and sampled to prioritise the ultramafic units on which to focus further nickel sulphide exploration. Preliminary results show some similarities to the Western Belt at Forrestania, which hosts the Flying Fox deposit. This evaluation is being supported by a cutting edge scientific research initiative which St Barbara has sponsored through the CSIRO and the University of Western Australia. The copper-zinc potential of the Southern Cross district is also being evaluated. Some regions show anomalous base metal concentrations, with up to 14.3% zinc, 115 g/t silver, 4.6% copper 2.1% lead from historical drill core from one prospect area. Previous studies suggest these metals may have been hydrothermally remobilised from a volcanic hosted metal sulphide deposit. Follow-up geophysical surveys will be undertaken to test for a potential source.

BigGold Study. The focus of the Company's BigGold study is to identify the next generation of mineral discoveries. Targeting and acquisition of priority targets for gold and copper-gold in South Australia, NT and Victoria continued, with the total portfolio now comprising 9,000 square kilometres and 45 targets. The Company's applications for tenements are now being granted and work has commenced on the first phase of exploration. Most of the targets are buried under 'cover' rocks and require geophysical surveying, mostly ground-based gravity and airborne magnetic surveys, as first-pass tools.

The focus of the Company's BigGold study is to identify the next generation of mineral discoveries. Targeting and acquisition of priority targets for gold and copper-gold in South Australia, NSW and Victoria continued, with the total portfolio now comprising 9,000 square kilometres and 45 targets.

Exploration

MARVEL LOCH, THE CORNERSTONE OF SOUTHERN CROSS



Finance

“Raised capital”

During the year, the Company established reporting systems and financial controls appropriate for the continuing growth of operations and projects. Gold revenue was generated from the sale of 167,065 ounces of gold produced by the Southern Cross operations at an average gold price of A$780 per ounce, up from A$694 per ounce the previous year.

Gold revenue was generated from the sale of 167,065 ounces of gold produced by the Southern Cross operations at an average gold price of A$780 per ounce, up from A$694 per ounce the previous year. The spot gold price during the year was stronger than in the previous year at an average of A$811 per ounce, however St Barbara received slightly less due to previous hedging commitments which have now expired.

Other income was mainly derived from $11.1 million from the sale of investments, in particular Saracen Mineral Holdings Ltd and Mercator Gold plc. Other income of $3.5 million included interest earned of $3.2 million. In accordance with accounting standards, the unrealised fair value movements in the carrying value of listed investments held as at 30 June 2007, principally Bendigo Mining Limited, were recognised in the balance sheet.

EBITDA from Southern Cross operations increased to $45.7 million (2006: $40.9 million) due to consistent production and the higher gold price. The reported EBITDA for the Company was $28.4 million, which included corporate costs, exploration expense, realised and unrealised gains on gold derivatives and profit on the sale of investments and fixed assets.

Underlying EBITDA of $10.6 million included corporate costs and exploration, but excluded realised and unrealised gains on gold derivatives of $6.7 million and profit on sale of investments and fixed assets of $11.1 million.

Total exploration expenditure during the year was $23.7 million, of which $18.1 million was capitalised as an asset in the balance sheet, due to the success in increasing reserves at Marvel Loch and Gwalia. The balance of exploration expenditure charged to the income statement and included in reported and underlying EBITDA amounted to $5.6 million.

Depreciation and amortisation of $30.0 million for the year comprised mainly depreciation of mine assets and amortisation of mine development at Southern Cross operations.

The depreciation and amortisation charge for the year was $175 per ounce of production, which reflects the impact of increased capital expenditure during the year at Marvel Loch and Hercules. Capital development at Marvel Loch will benefit the longer-term mine plan. Gwalia depreciation and amortisation will commence in fiscal 2009, which will increase the charge recognised in the income statement from 2009 onwards.

A net loss after tax of $2.9 million was reported for the year, compared with a net profit of $6.0 million in the previous year. The underlying net loss after tax, excluding realised and unrealised gains on gold derivatives and profit on the sale of investments and fixed assets, was $20.7 million.

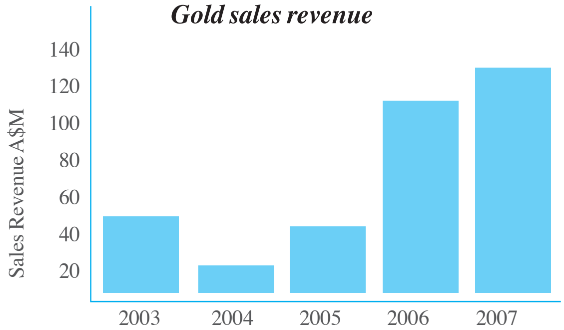
Finance and Tax. Finance costs totalled $2.7 million for the year, which comprised mainly the effect of unwinding the discount on the provision for rehabilitation. Interest expense in relation to the convertible notes is being capitalised to Gwalia pre-production capital expenditure until production commences. Interest earned in the year was $3.2 million.

The tax expense reported in the current year of $1.8 million represented the tax effect of movements in the gold hedge and investment fair value reserves. The Company did not pay tax in the year and is not expected to be in a tax paying position in the next two financial years.

"Put options secure cash flows"

HIGHLIGHTS AS AT 30 JUNE 2007

- EBITDA from Southern Cross operations up 11.7% to $45.7 million
- Average achieved gold price of A$780 per ounce, up from A$694/oz in the previous year
- Put options over 173,600 ounces at a strike price of A$760/oz to protect Southern Cross 2008 cash flows
- Put options over 1,328,400 ounces at a strike price of A$700/oz to cover future Gwalia production for 9 years
- Convertible notes issue raised $100 million, before costs
- Cash at bank was $95.5 million

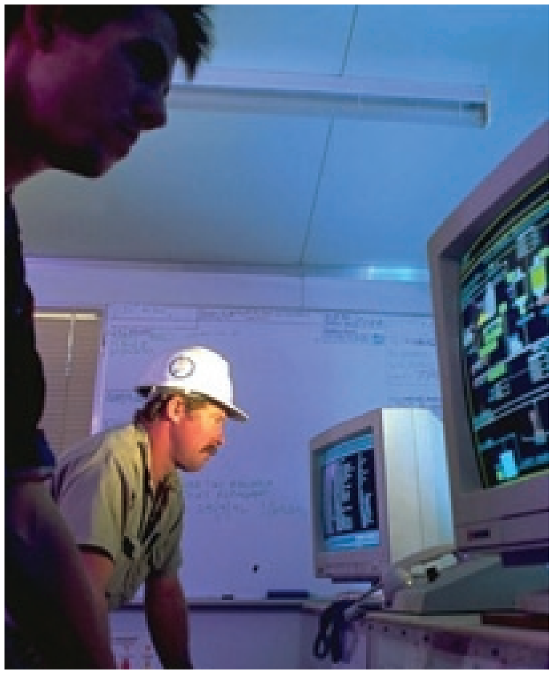


Cash flow. During the year the Company invested substantial cash in the following major areas to underpin its operations and prepare for future growth:

- Gwalia development -$38 million
- Mine development at Southern Cross - $50 million
- Exploration – $24 million
- Purchase of property, plant and equipment - $5 million.

In addition, the Company made new investments in listed shares of $18.9 million, which included a 10% interest in Bendigo Mining Limited for $17.2 million. The funds required for investments during the year were sourced mainly from available cash at the beginning of the year of $80 million, cash from operating activities of $26.4 million and proceeds from the sale of investments of $31 million. In June 2007 the Company raised $96.7 million after costs from a convertible notes issue with a five year term. The proceeds from this convertible notes issue is to be used mainly for completing the development of Gwalia. Cash at bank as at 30 June 2007 was $95.5 million.

Protecting Revenue. During the year the Company purchased put options to protect Southern Cross cash flows in fiscal year 2008 and to cover 1,328,400 ounces of future Gwalia production over 9 years. Put options secure a minimum gold price with unlimited upside exposure to an increase in the gold price. It does not commit the Company to firm deliveries, but underwrites a minimum price for the sale of gold.



Revenue

	30 June 2007 $'000	30 June 2006 $'000
Gold Sales Revenue	130,371	114,941
Other revenue and income	15,145	24,769
	145,516	139,710
EBITDA	28,364	13,577
EBIT	(1,616)	4,037
Net profit/(loss) after tax	(2,894)	6,019

Bought Put Options

Ounces	Price/oz	Maturity	Cost $M	Market Value 30 June 07 $M
173,600	A$760	Jul 07-Jun 08	2.8	2.5
1,328,400	A$700	Jul 08-Apr 17	8.0	10.5
1,502,000			**10.8**	**13.0**

Management Group

Jenni O'Brien
BBus (HR & IR)
GM Human Resources

Jenni recently joined St Barbara and her role plays a key part in helping guide, and develop, strategic Human Resources initiatives. These include policies, programmes, and practices across the business to deliver superior sustainable performance.

A key focus will be to develop the framework to facilitate the recruitment, development and retention of employees and to position St Barbara to be an 'employer of choice' in the mining industry. Jenni was previously at National Leisure and Gaming where she was the National HR Manager and prior to this at a number of organisations, including Foster's Group.

Wayne Groeneveld
GM Land and Indigenous Affairs

Wayne joined St Barbara in mid 2006 and is responsible across our 18,000 sq km of tenements for land acquisition, maintaining access for exploration activities, compliance with legislative obligations and liaison with community stakeholders.

He promotes our policies and ensures sustainable relationships are maintained with the indigenous communities with whom we operate.

George Viska
GM Commercial

The Commercial team provides support to operations, including negotiation and procurement, cost and variance analysis, as well as assisting in budgeting and forecasting.

In addition, the team provides modelling and strategic input into special projects and new developments.

George is also responsible for overseeing surface infrastructure works at Gwalia, ahead of re-commencement of production.

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

Garth was appointed in September 2006 and is responsible for finance, treasury, taxation, reporting and business analysis, corporate planning and capital management.

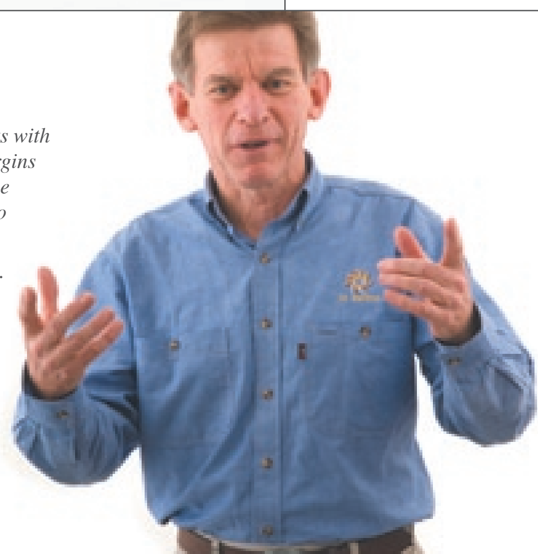
He has repositioned the finance team to focus on developing financial reporting systems and controls to assist with the Company's growth. He has also established a treasury function.

Prior to joining St Barbara, he was Director of Corporate Accounting at Telstra and has held finance leadership roles with WMC and Newcrest Mining.

Peter Card
BEng(Metallurgical) Post Grad(Business)
GM Business Evaluation

Peter joined St Barbara in mid 2007 and works with the sites to assess ways of increasing cash margins and production from operations, and assists the exploration and executive management team to evaluate alternatives for organic development.

He leads the evaluation of M&A opportunities. Peter was recruited from BHP Billiton where he co-founded Business Evaluation in 2001.



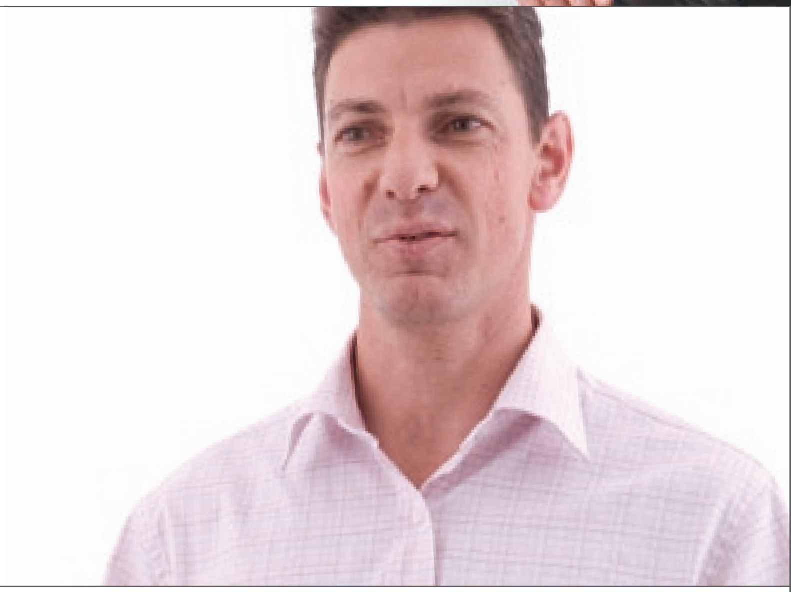
Ian Bird

BEng

Chief Operating Officer

Ian joined St Barbara in March 2007 and is responsible for operations across the group. The role involves both growing existing production and ensuring development of future production opportunities is achieved. This involves a close focus on margins and capital budgets.

Previously, Ian was the GM of the Tanami Operation with Newmont. He has had senior operational management positions in both open cut and underground mining operations across Australia.



Peter Thompson

BSc MSc

GM- Exploration

Peter has been with St Barbara since late 2004. His role is to advance the Company's resource and reserve base by the application of leading edge technology to our project areas. Working with a team of 18 geologists, the focus is to make new and extensional discoveries and to allow sustained improved gold production. Emphasis is given to new exploration opportunities, which includes the Company's base metal potential, research angles and the recruitment of top quality geologists, which will give St Barbara a competitive edge. Peter worked previously at WMC, Anaconda Nickel and Jubilee Mines.

Ross Kennedy

BComm., Grad.Dip-Company Secretarial Practice.

GM Corporate Services & Company Secretary

Ross has been with St Barbara since 2004. The role of GM Corporate Services is to provide leadership on corporate standards and promote business improvement through HR initiatives and business intelligence systems. Corporate Services comprises a team of specialists to support the business across Human Resources, Information Technology and Communications, Legal and Contracts, Insurance and Risk Management.

The Company Secretariat is responsible for statutory compliance with company law and stock exchange listing rules, in Australia and overseas, as well as organisation of Board related matters.

Environment, Safety & Community

People. St Barbara continues to successfully recruit high calibre, team focused personnel. As Gwalia comes into production the Company will be recruiting a significant number of new employees, to supplement the existing skill base. A positive workplace culture is being nurtured and human resources systems and procedures established to meet these objectives. This will include implementing systems to monitor employee attitudes and constantly reviewing policies and benefits to keep ahead of employment and remuneration trends within the industry.

The proximity of Company operations to established towns has led to programmes to encourage and incentivise employees to live in local communities, in preference to fly-in/fly-out, in an effort to reduce employee turnover and in recognition of the company's long term commitment to the communities with whom we interact. Developing our people by providing appropriate leadership training for front level supervisors and working with indigenous communities to build skills, are other initiatives being pursued.

Environment. Addressing any effects from its activities on the environment is an important aspect of St Barbara's business, with management of environmental aspects incorporated into all exploration and operational activities. An example of this has been the new accommodation facilities being constructed at Leonora. The design of these facilities incorporates water recycling and solar energy usage, as well as a number of other energy saving features. The past 12 months has also seen rehabilitation activities at historic mining areas continued, hydrocarbon management practices improved and permitting for re-opening of previously mined areas successfully completed. During the current year, a Strategic Environmental Plan will be refined to define key challenges and opportunities and develop action plans for the Company to implement.

Rehabilitation. The focus of rehabilitation activities during the year shifted from the Bullfinch area at Southern Cross to the Burbidge area south of Marvel Loch.

Rehabilitation was completed at Transvaal, Corinthia and Nevoria. In particular, the rehabilitation of the Great Victoria Gold Tailings Storage Facility 4 was advanced.

Waste material mined from the Hercules open pit was utilised for the rehabilitation of this decommissioned tailings dam using an innovative rehabilitation design.

At Leonora, rehabilitation efforts were concentrated on the Ulysses and McGraths waste dumps, and areas to the north and south of the Leonora township.

The Company has continued to consult with State Government, shire councils, local communities and other stakeholders on its rehabilitation plans.

During the current year, a Strategic Environmental Plan will be refined to define key challenges and opportunities and develop action plans for the Company to implement.

St Barbara assisted with funding for the completion of a computer network and provision of computers at the Leonora District School.

“Securing & developing people”

Energy. St Barbara is a signatory to the Australian Greenhouse Offices’ Greenhouse Challenge Plus Programme and the Energy Efficiency Opportunities Programme.

Identification of initiatives to reduce the Company’s greenhouse gas emissions was completed as part of the Greenhouse Challenge Plus Programme. During the current year, a baseline energy audit will be undertaken to identify further greenhouse gas emission opportunities and related cost savings.

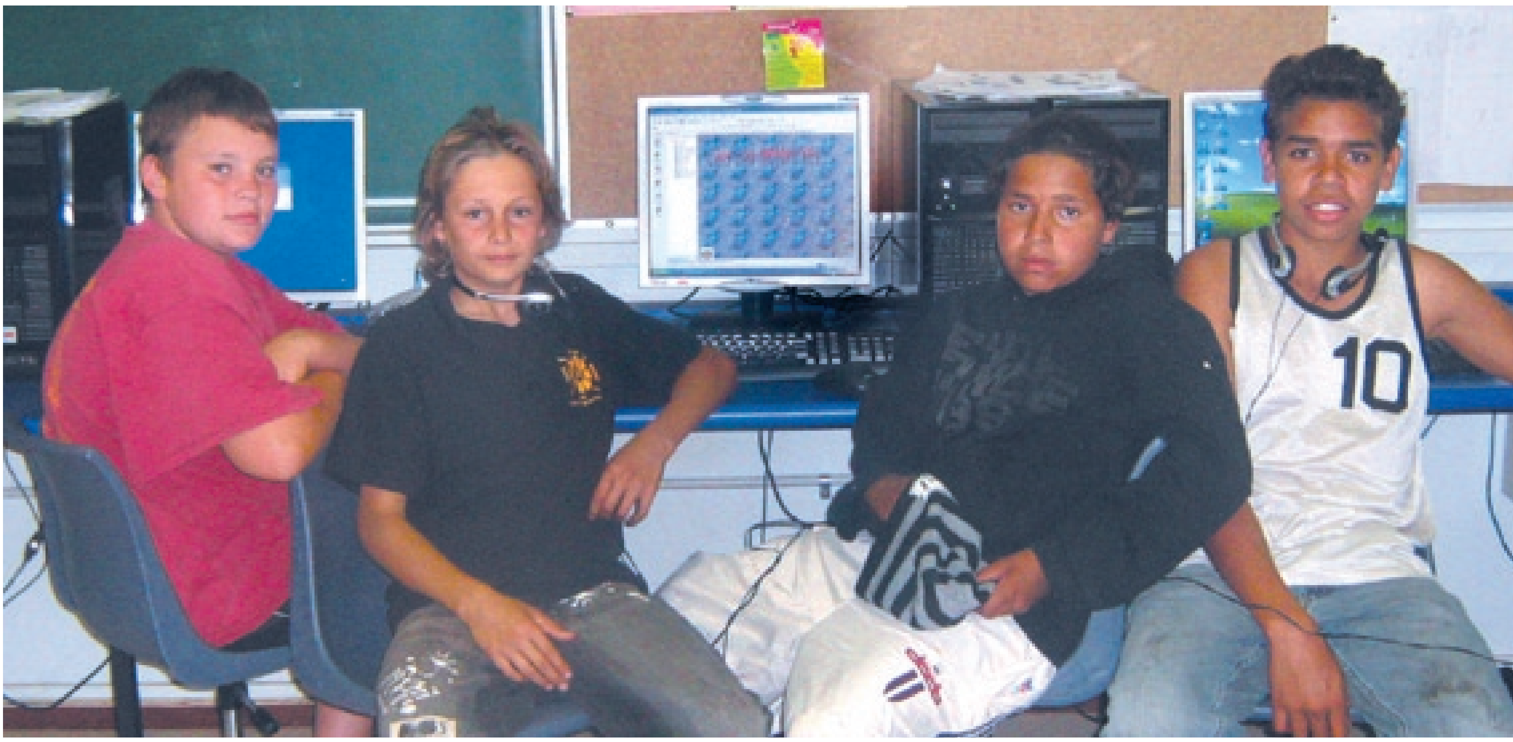
Development of programmes to meet the intent of the Energy Efficiencies Opportunities Programme will be further developed and implemented during the current year. This will assist with identification of further cost-saving opportunities through the reduction of energy consumption by the Company.

Water. The usage of water by St Barbara is of key importance to the Company and is constantly reviewed. The current year will see evaluation and development of water recycling and water efficiency measures.

Community Activities and Consultation. The Company contributed funds to the Leonora Distict School to allow the completion of a computer network and provision of computers. This assists children in Leonora, where the company is establishing a long term presence, to develop skills relevant to today’s workforce.

St Barbara is also a sponsor of the Songroom initiative at the same school, to stimulate creativity and enhance learning and self-esteem, thereby encouraging greater participation in the school and community. This is expected to strengthen the community where the Company operates. See www.songroom.org.au

An initial annual liaison meeting was held in April 2007 involving all key stakeholders with interests in the Company’s activities at Leonora, with particular focus on the re-commissioning of the Gwalia underground mine. In addition, a number of meetings were held with native title claimants in the area regarding the Company’s exploration activities.



Corporate Governance

Corporate Governance is the process by which companies are directed and managed. St Barbara strives to create sustainable value for shareholders by implementing an effective programme of governance.

The Board and Management regularly review the Company's policies and practices to ensure that St Barbara continues to maintain and improve its governance standards consistent with the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations (ASX Recommendations). Relevant principles are described below. Charters for the Board and all Board Committees can be found on St Barbara's website at www.stbarbara.com.au

PRINCIPLE 1

Lay solid foundations for management and oversight.
The role of the Board is to represent shareholders, provide strategic guidance to and effective oversight of management, foster a culture of good governance, and promote a safe and healthy working environment within the Company.

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

i) in a manner designed to create and continue to build sustainable value for shareholders;

ii) 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, as appropriate, other stakeholders;

iii) in accordance with the duties and obligations imposed upon Directors by the Company's Constitution and applicable law; and

iv) with integrity and objectivity, consistent with 'best practice' ethical, professional and related standards.

The specific responsibilities of the Board are described in the Board charter.

PRINCIPLE 2

Structure the Board to add value. The Board has established a number of Board Committees to facilitate the execution of its responsibilities. The Committees provide a forum for a more detailed analysis of key issues and interaction with management. Each Committee reports its deliberations to the following month's Board meeting. The current Committees are:

Remuneration Committee.
Members: Barbara Gibson (Chairman), Doug Bailey, Eduard Eshuys, Phil Lockyer, Colin Wise

"Responsible management"

Function: The Committee assists and advises the Board in relation to the remuneration of the Managing Director / CEO, his senior executive direct reports, employees of the Company, consultants/ contractors who are engaged to perform management or executive responsibilities, and Non-Executive Directors.

Audit Committee.

Members: Doug Bailey (Chairman), Hank Tuten, Colin Wise

Function: The Committee assists and advises the Board in discharging its responsibilities in relation to financial reporting, financial risk management, evaluating the effectiveness of the financial control environment and oversight of the external audit function. Matters relating to the assessment and supervision of non-financial business risks and compliance are covered.

Health and Safety Committee.

Members: Phil Lockyer (Chairman), Eduard Eshuys, Barbara Gibson, Colin Wise

Function: The Committee assists and advises the Board in relation to safety and health issues, including in particular:

- in conjunction with Management, the promotion of a safety conscious culture throughout the Company;
- overseeing the function and effectiveness of the Health and Safety Management Committee; and
- recommending to the Board outcomes on H&S policy, plans, compliance and issues.

Details of the number of meetings of the Board and each Committee during the year, and each Director's attendance at those meetings, are set out on page 33 of this report.

Composition. St Barbara's Board currently comprises six Directors - the Managing Director and five Non-Executive Directors.

The nomination of all new Directors including the Managing Director are considered by the full Board. The Board assesses the nominees against a range of specific criteria, including their experience, professional skills, potential conflicts of interest, the requirement for independence and the existing collective skill sets of the Board.

Details of each Director's skills, experience and relevant expertise are set out in pages 31-32.

The Company's Constitution requires one-third of the Directors (or the next lowest number) to retire by rotation at each annual general meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election as well as those Directors appointed to the Board since the last AGM.

A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

The Managing Director is not subject to retirement by rotation and is not to be taken into account in determining the number of Directors required to retire by rotation.

Independence. It is Board policy that a majority of Non-Executive Directors, including the Chairman, should be independent and free of any relationship that may conflict with the interests of the Company. Other than Mr Tuten, each of the Non-Executive Directors is independent. The Board defines 'independence' in accordance with the ASX Recommendations. In order to ensure that any interest of a Director in a matter to be considered by the Board is known, each Director has contracted with the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict.

Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they have or may have a conflict of interest.

Mr Tuten has no relevant interest in fully paid ordinary shares of the Company. However, Mr Tuten is a partner in, and member of, the investment committee of RCF Management LLC (RCF), the management company of each of Resource Capital Fund II LP and Resource Capital Fund III LP, which are collectively St Barbara Limited's largest shareholder. Mr Tuten is also an investor in Resource Capital Fund II LP and Resource Capital Fund III LP. Consequently, Mr Tuten is an associate of a substantial shareholder of the Company and cannot be classified as 'independent' within the meaning given to that term in the ASX Recommendations. Save for this association, Mr Tuten is in all other material respects, independent.

Directors visiting Gwalia

Director participation. Directors visit St Barbara's mining operations and meet with management on a regular basis to gain a better understanding of the Company's business.

Independent professional advice and access to Company information. Directors have right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent advice from a suitably qualified adviser at St Barbara's expense.

PRINCIPLE 3
Promote ethical and responsible decision making.
The Board and the Company's employees are expected to uphold the highest levels of integrity and professional behaviour in their relationships with all the Company's stakeholders. Below is a summary of St Barbara's core codes and policies that apply to Directors and employees. These policies are available on the Company's website: www.stbarbara.com.au.

Trading in St Barbara shares. To safeguard against insider trading, St Barbara's Dealing in Securities Policy prohibits Directors and employees from trading St Barbara securities if they are aware of any information that would be expected to have a material effect on the price of Company securities. This policy allows for a 30-day trading window commencing from the business day following significant public announcements, provided the Company is not then in possession of undisclosed potentially price sensitive information.

St Barbara discloses to the ASX any transaction conducted by the Directors in St Barbara securities, in accordance with ASX Listing Rules.

PRINCIPLE 4
Safeguard integrity in financial reporting.
The Managing Director and Chief Financial Officer have each declared in writing to the Board that the financial records of the Company for the financial year have been properly maintained and present a true and fair view of the Company's financial condition and operating results, in accordance with the Corporations Act and the relevant accounting standards.
The Audit Committee is governed by its own Charter, which is available on the Company's website.

“Platform for growth”

PRINCIPLE 5

Make timely and balanced disclosure.

St Barbara seeks to provide relevant up-to-date information to its shareholders and the broader investment community in accordance with the continuous disclosure requirements under the ASX Listing Rules.

The Board has implemented a Continuous Disclosure Policy to ensure that information considered material by the Company is immediately lodged with the ASX. Other relevant information, including Company presentations and updates by senior management, are also disclosed to the ASX and through the Company’s website.

PRINCIPLE 6

Respect the rights of shareholders.

The Board, in adopting a Continuous Disclosure Policy, ensures that shareholders are provided with up-to-date Company information. Communication to shareholders is facilitated by the publication of the Annual Report, Quarterly Reports, other announcements and the posting of ASX releases on St Barbara’s website immediately after their disclosure on the ASX.
In addition, all shareholders are encouraged to attend the Annual General Meeting of Shareholders and use the opportunity to ask questions. The external auditor attends the meeting and is available to answer questions on the Financial Report.

PRINCIPLE 7

Recognise and manage risk.

The Board believes that risk management and compliance are fundamental to sound management and that oversight of such matters is an important responsibility of the Board.

The Company is developing its risk and opportunity management strategies, including comprehensive reporting and control mechanisms, which are designed to ensure that strategic, operational, legal, reputational and financial risks and opportunities are identified, assessed and managed.

The reporting and control mechanisms support the annual written certifications given by the Managing Director and the Chief Financial Officer to the Board that the Company’s financial reports are based on a sound system of risk management and internal control.

PRINCIPLE 8

Encouraging enhanced performance.

St Barbara has in place a performance appraisal system for the Managing Director and senior managers, designed to enhance performance. This is also linked to remuneration.

Further details in relation to Executive performance are set out in the Remuneration Report on pages 34 to 41.

PRINCIPLE 9

Remunerate fairly and responsibly.

Board remuneration. The total annual remuneration paid to Non-Executive Directors may not exceed the limit set by the shareholders at the Annual General Meeting (currently A$750,000). The remuneration of the Non-Executive Directors is fixed rather than variable.

Executive remuneration. The Remuneration Committee provides recommendations and direction for the Company’s remuneration practices. The Committee ensures that a significant proportion of each senior manager’s remuneration is linked to his or her performance and the Company’s performance.
Performance reviews are conducted at least annually to determine the proportion of remuneration that will be ‘at risk’ for the upcoming year. St Barbara executives participate in employee incentive schemes that are linked to St Barbara’s performance.

Further details in relation to Director and Executive remuneration are set out in the Remuneration Report on pages 34 to 41.

PRINCIPLE 10

Recognise legitimate interests of stakeholders.

St Barbara has a number of formal policies that address the interests of all stakeholders in relation to issues of ethical behaviour, environment and health and safety. St Barbara has adopted policies such as the Occupational Health and Safety Policy, an equal opportunity policy and environment policy to ensure all stakeholder interests are recognised.

Directors' Report

The Directors present their report on the consolidated entity (St Barbara Group), consisting of St Barbara Limited and the entities it controlled at the end of, or during, the financial year ended 30 June 2007.

DIRECTORS

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

S J C Wise	Chairman	
E Eshuys	Managing Director & CEO	
D W Bailey	Non-executive director	
B J Gibson	Non-executive director	Appointed 10 April 2007
P C Lockyer	Non-executive director	Appointed 19 December 2006
R Knight	Non-executive director	Retired 19 December 2006
H G Tuten	Non-executive director	
M K Wheatley	Non-executive director	Resigned 2 August 2006

PRINCIPAL ACTIVITIES

During the year the principal activities of the consolidated entity were mining and the sale of gold, mineral exploration, development and investments. There were no significant changes in the nature of activities of the consolidated entity during the year.

DIVIDENDS

There were no dividends paid or declared during the financial year.

RESULTS OF OPERATIONS

The result reported by the consolidated entity for the year ended 30 June 2007 was a net loss after tax of $2,894,000 (2006: net profit of $6,019,000). The result for the year was after the benefit from realised and unrealised gains on gold derivatives of $6,688,000 and gains from the sale of available for sale assets and fixed assets totaling $11,071,000. The consolidated revenues and result for the year are summarised as follows:

	30 June 07 $'000	30 June 06 $'000
Sales revenue	130,911	115,263
Profit on sale of available for sale financial assets & fixed assets	11,071	22,796
Interest earned	3,213	1,514
Other	321	137
Total revenue	145,516	139,710
EBITDA from operations	45,705	40,914
Profit from operations after depreciation & amortisation	18,326	32,845
Profit/(loss) before income tax	(1,053)	4,591
Income tax (expense)/benefit	(1,841)	1,428
Profit/(loss) attributable to members of the Company for the year	(2,894)	6,019

"Developing assets for shareholder value"

ST BARBARA'S BOARD OF DIRECTORS

From left:
Colin Wise,
Eduard Eshuys,
Doug Bailey,
Barbara Gibson,
Phil Lockyer,
Hank Tuten






The increase in revenue from sales in the current year was attributable to a higher average achieved gold price.
The profit on the sale of investments and assets during the year comprised profit on sale of the Company's investment in Mercator Gold plc ($6,013,000) and Saracen Mineral Holdings Limited ($2,382,000), and profit on the sale of other listed investments and fixed assets.

REVIEW OF OPERATIONS

The Company's strategic focus during the year was on achieving consistent production and the extension of the mine life at the Southern Cross operations, to develop new operations at Gwalia and to explore for gold and nickel in Australia.

Financial performance. Total sales revenue of $130,911,000 was generated from gold sales of 167,065 ounces at the Southern Cross operations. Production at Southern Cross totalled 171,182 ounces and was mainly from the Marvel Loch underground mine and Hercules open pit. A summary of the production performance for the year ended 30 June 2007 is provided in the table on page 29.

Directors' Report Continued

The production from Marvel Loch increased compared with the prior year, to replace lower production from Hercules. Low grade stockpiles provided 675,301 tonnes of ore for processing during the year, compared with 707,211 tonnes in the prior year.

Total gold sales revenue of $130,371,000 was generated from gold sales of 167,065 ounces (2006: 168,266 ounces), at an average achieved gold price of A$780 per ounce (2006: A$694 per ounce).

Other revenue of $3,495,000 (2006: $1,514,000) comprised mainly interest earned during the year of $3,213,000 (2006: $1,514,000).

Other income for the year of $11,110,000 (2006: $22,933,000) was mainly attributable to profit on the sale of available for sale financial assets ($9,993,000) and profit on the sale of fixed assets ($1,078,000).

Total cash operating costs and per unit cash operating costs at Southern Cross operations were higher in the year compared to the prior year, due to the increased cost of mining at Marvel Loch and Hercules.

Total cash operating costs were $84,647,000 (2006: $73,121,000).

Exploration expensed in the income statement in the year totalled $5,609,000 (2006:$14,323,000), with total exploration expenditure in the year amounting to $23,718,000 (2006: $18,612,000). The Company policy in relation to accounting for exploration expenditure supports capitalisation of expenditure where it results in an increase in economically recoverable reserves. Capitalised exploration expenditure during the year related mainly to Gwalia and Marvel Loch.

The higher level of exploration expenditure during the year, compared to the prior year, was due to the focus on increasing reserves to underpin long term production at Southern Cross and Leonora.

Employee costs increased during the year to $22,460,000 (2006: $15,981,000). The increase in employee costs reflected the impact of normal wage inflation and growth in the Company's permanent labour force. The increase in employee numbers during the year is associated with activities related to the completion of the feasibility study to develop and mine Gwalia and the recruitment of employees with appropriate skills to position the Company for future growth. The increase in the number of permanent employees resulted in lower contract labour costs in the year.

Depreciation and amortisation of fixed assets and capitalised mine development totalled $29,980,000 (2006: $9,540,000) for the year. The higher depreciation and amortisation charge in the year was attributable to increased mine development at Marvel Loch and Hercules waste stripping.

Net finance costs increased to $2,650,000 (2006: $960,000) in the year due mainly to the unwinding of the discount on the provision for rehabilitation and higher interest expense associated with finance leases. During the year interest of $570,000 was capitalised to mines under construction.

Gains on gold derivatives comprised $4,342,000 of realised gains on hedging and $2,346,000 of unrealised gains on purchased put options (2006: unreaslised loss of $4,342,000). The realised gain represents the fair value expensed in the prior year in relation to gold hedging that matured during the current year. The unrealised gain on the purchased put options represents movement in the fair value calculated as at 30 June 2007.

The production from Marvel Loch increased compared with the prior year, to replace lower production from Hercules. Low grade stockpiles provided 675,301 tonnes of ore for processing during the year, compared with 707,211 tonnes in the prior year.

Safety training at Southern Cross

Other expenses of $15,618,000 (2006: $12,156,000) included tenement costs, royalties, legal and insurance costs and lease rentals.

The income tax expense for the year was $1,841,000 (2006: income tax benefit of $1,428,000), which represents mainly the tax effect of movements in the gold hedge and investment fair value reserves. The Company did not pay any tax during the year (2006: Nil).

Financial position. As at 30 June 2007 net current assets increased to $89,440,000 (2006: $65,299,000) due mainly to a higher cash balance and the benefit of a reduction in derivative financial liabilities, partially offset by higher trade and other payables.

Total non current assets increased by $70,490,000 during the year to $132,579,000 (2006: $62,089,000). The increase in non current assets was attributable to capitalised development expenditure at Southern Cross and Gwalia, capitalised exploration expenditure, an increase in property, plant and equipment and the fair value of premiums on purchased put options. Available for sale financial assets decreased during the year as a result of the divestment of the Company's holding in Mercator Gold Plc and Saracen Mineral Holdings Ltd. The Company acquired a 10 percent interest in the shares of Bendigo Mining Limited for $17,200,000 during the year.

Non current liabilities increased to $127,018,000 (2006: $28,301,000) during the year due to the issue of convertible notes with a five year term. The non current convertible note liability comprises the principal amount of $100 million less transaction costs associated with the issue of $3,519,000.

Cash flows Cash flow from operating activities for the year was $26,445,000 (2006: $10,737,000). An increase in receipts from customers reflects the benefit of a higher average achieved gold price during the year. Payments to suppliers and employees were in line with the prior year. Interest received of $2,979,000 (2006: $1,514,000) was higher than in the prior year due to the strong cash balance during the year.

Cash flow used in investing activities amounted to $110,719,000 (2006: $20,837,000) and was mainly in the following major areas:

- Gwalia development expenditure - $37,851,000
- Mine development expenditure at Southern Cross - $50,424,000
- Purchase of property, plant and equipment - $5,362,000
- Exploration expenditure - $23,718,000.

Included in cash flow from investing activities was proceeds from the sale of available for sale financial assets and other fixed assets and tenements totalling $30,965,000 (2006: $22,992,000).

Cash flow from financing activities totalled $99,775,000 (2006: $62,009,000), which included net proceeds from the issue of convertible notes of $96,702,000. In the prior year the cash flow from financing activities included net proceeds from the issue of shares of $61,652,000 (net of share buy backs).

Details of Production Performance

	June 07	March 07	December 06	September 06	Total 2006/07	Total 2005/06
Open Pit Ore Mined (t)	**213,000**	**156,000**	**220,000**	**314,000**	**903,000**	**1,329,046**
Grade (g/t)	1.7	3.4	3.7	2.2	**2.7**	**2.1**
Underground Ore Mined (t)	**199,000**	**149,000**	**130,000**	**125,000**	**603,000**	**315,112**
Grade (g/t)	4.3	3.4	4.3	4.0	**4.0**	**5.7**
Ore Milled (t)	**580,000**	**559,000**	**539,000**	**550,000**	**2,228,000**	**2,351,369**
Grade (g/t)	2.6	2.3	3.1	2.5	**2.6**	**2.4**
Recovery (%)	91.3	92.2	93.1	90.0	**92**	**91**
Gold Production (oz)	**43,710**	**37,914**	**49,485**	**40,073**	**171,182**	**166,000**
Cash Operating Cost (A$/oz)	**558**	**532**	**474**	**472**	**508**	**443**

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

Approval of Gwalia development. The Board approved the development and mining of Gwalia on 7 February 2007. Current reserves at Gwalia amount to 1.7 million ounces. Pre-production capital expenditure is estimated at approximately $110 million, which will be incurred during the 2007/08 financial year. As at 30 June 2007 capital expenditure recorded in the balance sheet in relation to Gwalia was $44,515,000. The development of Gwalia is on schedule and budget as at the date of this report.

Issue of convertible notes. During the financial year the Company completed a $100 million convertible notes issue, mainly to fund completion of the development of Gwalia. The convertible notes are recorded in the balance sheet as non current borrowings.

Sale and purchase of investments. On 10 November 2006, the Company announced the sale of its shareholding in Mercator Gold Plc ("Mercator") for total proceeds of $19,018,000. The shares were originally issued to the Company as part consideration for the sale of the Meekatharra project in October 2005.

On 27 March 2007, the Company announced the sale of its shareholding in Saracen Mineral Holdings Ltd ("Saracen") for total proceeds of $7,100,000. The shares were originally issued to the Company as part consideration for the sale of the South Laverton project in October 2005.

On 12 January 2007, the Company acquired ten percent of the share capital of Bendigo Mining Limited for $17,200,000. The acquisition is consistent with the Company's stated objective of acquiring interests in Australian gold assets which have the potential for development of long life, low cost gold operations.

Changes in issued capital. The movement in the share capital of the Company during the year is set out below.

	Number of shares
Shares on issue 30 June 2006	819,390,567
Add exercise of options	18,665,000
Less on-market buy-back of shares	(1,500,000)
Shares on issue 30 June 2007	836,555,567

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The increase in reserves at the Southern Cross operations and at Gwalia subsequent to the end of the financial year will underpin long term production at these operations. Exploration drilling for potential open pit reserves at both locations is continuing to complement the long term underground reserves.

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.

Left: New underground pumping station at Marvel Loch increased dewatering capacity by 70%

INFORMATION ON DIRECTORS

S J Colin Wise, *LL.B, FAICD, FAusIMM*
Chairman – Non Executive

Mr Wise is an experienced corporate lawyer, consultant and company director with significant expertise in the mining and exploration industry and corporate sector. 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 the Australasian Institute of Mining and Metallurgy. He is a Non Executive Director of Southern Health, the largest health care service in Victoria, Chair of its Quality Committee and a member of the Audit Committee, and a member of the Monash University Medical Research Advisory Board.

Other current public company directorships.
Nil.

Former public company directorships in last 3 years.
Nil.

Special responsibilities.
Chairman of the Board.

Member of the Remuneration (Chairman until 24 July 2007).

Audit and Health & Safety Committees.

Interest in shares and options.
Mr Wise has a relevant interest in 4,199,403 fully paid ordinary shares of the Company.

Eduard Eshuys, B.Sc, FAICD, FAusIMM
Managing Director and Chief Executive Officer

Mr Eshuys is a geologist with 38 years of experience in mineral exploration, development and operation of gold and nickel mines in Australia. He has a credible record in exploration having led the exploration teams that discovered several major gold deposits, including Plutonic, Bronzewing and Jundee.
He brought Bronzewing and Jundee as well as the Cawse Nickel mine into production. Mr Eshuys was awarded the Geological Society of Australia's Joe Harms medal for distinction in exploration success and project development in 1996. He is a Fellow of both the Australian Institute of Company Directors and the Australian Institute of Mining and Metallurgy.

Other current public company directorships.
Nil.

Former public company directorships in last 3 years.
Nil.

Special responsibilities.
Member of the Remuneration and Health & Safety Committees.

Interest in shares and options.
Mr Eshuys has a relevant interest in 20,100,000 fully paid ordinary shares and holds 10,000,000 executive options to acquire fully paid ordinary shares as detailed later in this Report.

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

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

Member of the Remuneration Committee

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

Barbara J Gibson, B.Sc, FTSE, MAICD
Non Executive Director

Ms Gibson possesses a broad range of business management experience. Ms Gibson was formerly the General Manager Chemicals Group of Orica Limited, a member of the Orica Group Executive and a Director of Incitec Pivot Limited. She is a Fellow of the Australian Academy of Technical Sciences and Engineering, and is a recipient of the Australian Centenary Medal in 2001 for service to Australian society in medical technology.

Other current public company directorships.
Director, Biota Holdings Limited
Director, Penrice Soda Holdings Limited

Former public company directorships in last 3 years.
Director, Incitec Pivot Limited

Special responsibilities.
Chair of the Remuneration Committee (from 25 July 2007)
Member of the Health & Safety Committee

Interest in shares and options.
Ms Gibson has no relevant interest in fully paid ordinary shares of the Company.

Phil Lockyer, M.Sc, AWASM, DipMETALL
Non Executive Director

Mr Lockyer is an experienced mining engineer and metallurgist with over 40 years experience in the mineral industry with an emphasis on gold and nickel, in both underground and open pit operations. Mr Lockyer was employed by WMC Resources for 20 years and as General Manager for WA was responsible for that Company's nickel division and gold operations. Mr Lockyer also held the position of Director Operations for Dominion Mining Limited and Resolute Limited.

Other current public company directorships.
Perilya Limited.
Jubilee Mines NL.
Focus Minerals Limited.
Ammtec Limited.

Former public company directorships in last 3 years.
Nil

Special responsibilities.
Chairman of the Health & Safety Committee
Member of the Remuneration Committee

Interest in shares and options.
Mr Lockyer has a relevant interest in 30,000 fully paid ordinary shares of the Company.

Henderson (Hank) G Tuten, B.A. (Econ)
Non Executive Director

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.
Ausenco Limited
Australian Solomons Gold Limited

Former public company directorships in last 3 years.
Nil

Special responsibilities.
Member of the Audit Committee

Interest in shares and options.
Mr Tuten has no relevant interest in fully paid ordinary shares of the Company. However, Mr Tuten is a partner in and member of the investment committee of RCF Management LLC ("RCF"), the management company of each of Resource Capital Fund II LP and Resource Capital Fund III LP, which are collectively St Barbara Limited's largest shareholder. Mr Tuten is also an investor in Resource Capital Fund II LP and Resource Capital Fund III.

Logging drill core at Marvel Loch

Qualifications and experience of the company secretary.

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

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.

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 2007, and the numbers of meetings attended by each Director were:

	Board		Audit Committee		Remuneration Committee		Health & Safety Committee	
	A	B	A	B	A	B	B	A
S J C Wise	14	14	4	4	6	6	1	1
E Eshuys	14	14	-	-	6	6	1	1
D W Bailey	14	14	4	4	5	5	-	-
B J Gibson	5	5	-	-	4	4	1	1
P C Lockyer	9	9	-	-	5	5	1	1
R Knight	5	5	1	1	1	1	-	-
H G Tuten	14	11	4	3	-	-	-	-
M K Wheatley	1	1	-	-	1	1	-	-

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

REMUNERATION REPORT

The remuneration report is part of the Directors' Report set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration.
B. Details of remuneration.
C. Share based compensation.
D. Service agreements.

This report for the year ended 30 June 2007 was prepared by the Directors in accordance with the Corporations Act 2001 for the Company and the consolidated entity. Under Australian accounting standard AASB 124, "Related Party Disclosures", the remuneration details of the Company's and consolidated entity's "key management personnel" (KMP) is required. In this report the key management personnel, excluding Non Executive Directors, will be collectively referred to as senior executives.

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.

Additional disclosures provided in headings A – D, required by the Corporations Act 2001 and the Corporations Regulations 2001, have not been audited as indicated.

The members of the Remuneration Committee as at the date of this report are:

B J Gibson	Chair, Non Executive Director
D W Bailey	Non Executive Director
E Eshuys	Managing Director & Chief Executive Officer
P C Lockyer	Non Executive Director
S J C Wise	Non Executive Director

The duties of the Remuneration Committee are to review and make recommendations to the Board as appropriate with respect to:

- The remuneration of Non Executive Directors, including the Chair of the Board;
- Every aspect of the remuneration package for the Managing Director/CEO, including total remuneration, its fixed and variable components, short-term and long-term incentives and the determination of Key Performance Indicators (KPIs);
- The Managing Director & CEO's recommendation in relation to the annual salary review, in per cent and total amount, for the Company as a whole;
- The recommendations of the Managing Director & CEO on the remuneration of the senior executives reporting to him, the fixed and variable components of that remuneration, the participation of these executives in short- and long-term incentive schemes and in the determination of their Key Performance Indicators (KPIs);
- Managing Director & CEO's recommendations on the appointment or termination of senior executives reporting directly to him;
- Any matters relating to employment and remuneration policies brought forward by the Managing Director & CEO;
- The operation and effectiveness of the Company's Employee Option Plan; and
- The Company's obligations in relation to employee benefits (including superannuation) and employee entitlements in general.

A. Principles used to determine the nature and amount of remuneration

(i) Summary of principles (unaudited) Remuneration is set by reference to independent data, external professional advice, the Company's circumstances and the requirement to attract and retain high calibre, non executive directors, senior executive management and staff.

Set out in the table below is an overview of the elements of remuneration. A more detailed discussion of each element is contained in this report.

	Elements of remuneration	Non executive directors	Senior executives	Discussion in report
Fixed remuneration	Fees Salary Superannuation Other benefits	✓ ✗ ✓ ✗	✗ ✓ ✓ ✓	Page 35 Pages 35-36 Page 36 Page 36
At risk remuneration	Short term incentives Long term incentives	✗ ✗	✓ ✓	Page 36 Page36
Post Employment	Termination payments	✗	✓	pages 40-41

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

The objective of the Company's senior executive reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework aligns senior 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 senior 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:

- rewarding the achievement of pre-determined performance targets
- attracting and retaining high calibre senior executives

Alignment to senior executives' interests is structured through:

- ensuring that remuneration is competitive in order to attract and retain talent
- 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 remuneration, and a blend of short and long term incentives.

(ii) 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 fees payable to Non Executive Directors are currently $750,000 per annum in aggregate (approved by shareholders in November 2005).

Fees paid to Non Executive Directors are set at levels which reflect both the responsibilities of, and the time commitments required from, each Non Executive Director to discharge his or her duties. Non Executive Directors' fees are reviewed annually by the Board, guided by the advice of independent remuneration consultants to ensure fees are appropriate for the duties performed and in line with the market.

The fees paid to Non Executive Directors are not linked to the performance of the Company in order to maintain their independence and impartiality. Directors' remuneration is inclusive of committee fees.

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

Non Executive Directors do not receive share options. Since 1 October 2005 Non Executive Directors are able to 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.

(iii) Retirement allowances for Directors

Non Executive Directors are not entitled to retirement allowances.

(iv) Senior executive remuneration

Senior executive remuneration comprises both a fixed component and an at risk component, which is intended to remunerate senior executives for increasing shareholder value and for achieving financial targets and business strategies.
It is also designed to attract and retain high calibre executives.
The remuneration of senior executives has three components:

- fixed remuneration, comprising base salary, superannuation and benefits
- short term performance incentives
- long term incentives, including participation in the Executive Option Plan or the St Barbara Limited Employee Option Plan

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 the senior executive. The aggregate of the three components comprises a senior executive's total remuneration.

(a) Fixed remuneration

(i) Base salary. The base salary is influenced by the scope of the role and the knowledge, skills and experience required for the position. External remuneration consultants provide analysis and advice to ensure the base salary is competitive for a comparable role.

Base salary for senior executives is reviewed annually as part of the Company's overall remuneration review process and is assessed against the Company's and the individual's performance. A senior executive's salary is also reviewed on promotion.

(ii) Superannuation. In addition to statutory superannuation contributions, senior executives may elect to contribute additional amounts, subject to legislative requirements.

(iii) Benefits. Senior executives receive benefits, including car parking, living away from home allowances, and payment for certain professional memberships.

(c) 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.

Refer page 39 for further information.

(b) Short term incentives (STI)

The STI is an annual "at risk" component of remuneration for the senior executives and is payable in cash. The objective of the STI is to encourage senior executives to meet annual business targets and their own individual performance targets. The STI payment to senior executives is based on achievements measured against key performance indicators (KPIs). The maximum STI opportunity varies according to the role. KPIs require performance in improving operational effectiveness and the achievement of 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 achieved. To assist in making this assessment, the Committee receives detailed reports and presentations on every aspect of the performance of the business from the Managing Director/CEO and external remuneration consultants as required. The Remuneration Committee recommends for Board approval the STI to be paid to the Managing Director and CEO.

B Details of remuneration

(i) Remuneration paid. Details of the remuneration of the Directors and the senior executives of the Company and the Group are set out in the following tables. The Directors of the Company and the Group during the year ended 30 June 2007 were:

S J C Wise	Chairman	
E Eshuys	Managing Director & CEO	
D W Bailey	Non-executive director	
B J Gibson	Non-executive director	Appointed 10 April 2007
P C Lockyer	Non-executive director	Appointed 19 December 2006
R Knight	Non-executive director	Retired 19 December 2006
H G Tuten	Non-executive director	
M K Wheatley	Non-executive director	Resigned 2 August 2006

The senior executives with the authority and responsibility for planning, directing and controlling the activities of the Company and the Group during the year ended 30 June 2007, were:

Eduard Eshuys	Managing Director & CEO	
Ian Bird	Chief Operating Officer	Appointed 26 March 2007
Garth Campbell-Cowan	Chief Financial Officer	Appointed 11 September 2006
Ross Kennedy	General Manager Corporate Services/Company Secretary	
Martin Reed	Acting Chief Operating Officer	Resigned 27 April 2007
Peter Thompson	General Manager Exploration	
George Viska	General Manager Gwalia Surface Development	

2007	Short-term benefits				Post- employment benefits					
Name	cash, salary & fees $	Cash bonus $	Non-monetary benefits $	Other $	Super annuation $	Long service Leave(6) $	Share based payments: Options(3) $	Total $	Proportion of total performance related	Value of options as %of total
Non Executives Directors										
S.J.C Wise (Chairman)(1)	115,046	-	-	-	4,954	-	-	120,000	-	-
D W Bailey	64,220	-	-	-	5,780	-	-	70,000	-	-
B Gibson	14,408	-	-	-	1,297	-	-	15,705	-	-
P C Lockyer	34,354	-	-	-	3,092	-	-	37,446	-	-
R. Knight	32,110	-	-	-	3,372	-	-	35,482	-	-
H.G Tuten (2)	-	-	-	-	-	-	-	-	-	-
M.K Wheatley	5,704	-	-	-	481	-	-	6,185	-	-
Total Non Executive Directors	**265,842**	**-**	**-**	**-**	**18,976**	**-**	**-**	**284,818**		
Executive Director										
E Eshuys	520,945	255,000	2,574	25,000(5)	12,684	16,751	159,644	992,598	25.7%	16.1%
Other key management personnel										
I Bird	97,753	26,250	544	140,000(4)	3,372	4,449	86,278	358,646	7.3%	24.1%
G Campbell Cowan	251,348	105,000	1,346	-	10,220	3,874	468,233	840,021	12.5%	55.7%
R Kennedy	191,877	60,000	1,559	15,000(5)	17,269	6,628	-	292,333	20.5%	-
M Reed	270,600	-	618	-	24,354	-	-	295,572	-	-
P Thompson	201,835	55,000	1,559	-	18,165	6,630	-	283,189	19.4%	-
G Viska	270,102	-	1,080	20,800(5)	12,659	4,261	-	308,902	-	-
Total Senior Executives	**1,804,460**	**501,205**	**9,280**	**200,800**	**98,723**	**42,593**	**714,155**	**3,371,261**		

(1) S J C Wise elected in lieu of receiving Directors fees as salary to participate in the Non-executive Directors' Share Plan from 1 July 2006 to and including 31 December 2006. (2) HG Tuten elects not to receive directors' fees. (3) The value of options disclosed as remuneration is the portion of the fair value of the options recognised in the reporting period. (4) Represents a sign-on bonus. (5) Living away from home allowance. For E Eshuys and R Kennedy, these payments ceased 31 December 2006. (6) Represents the long service leave expense accrued for the period.

2006	Short-term benefits				Post- employment benefits					
Name	cash, salary & fees $	Cash bonus(6) $	Non-monetary benefits $	Other $	Super annuation $	Long service Leave (5) $	Share based payments: Options(3) $	Total $	Proportion of total performance related	Value of options as % of total
Non Executives 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 (2)	-	-	-	-	-	-	-	-	-	-
M.K Wheatley	64,220	-	-	-	5,780	-	-	70,000	-	-
Total Non Executive Directors	**238,532**	**-**	**-**	**-**	**51,348**	**-**	**-**	**289,880**		
Executive Director										
E Eshuys	274,413	177,000	1,023	50,000 (4)	100,587	13,826	415,201	1,032,050	17.2%	40.2%
Other key management personnel										
R Kennedy	184,183	31,240	1,023	19,240 (4)	16,577	4,744	-	257,007	12.2%	-
M Reed	353,342	-	-	-	-	-	-	353,342	-	-
P Thompson	189,440	31,240	1,023	-	20,560	4,742	-	247,005	12.6%	-
G Viska	190,630	35,240	936	20,800 (4)	10,303	2,950	93,832	354,691	9.9%	26.5%
Total Senior Executives	**1,192,008**	**274,720**	**4,005**	**90,040**	**148,027**	**26,262**	**509,033**	**2,244,095**		

(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. (2) HG Tuten elects not to receive directors' fees. (3) The value of options disclosed as remuneration is the portion of the fair value of the options recognised in this reporting period. (4) Living away from home allowance. (5) Represents the long service leave expense accrued for the period. (6) Cash bonus paid in September 2006 relating to 2006 performance.

(ii) Cash bonuses included in remuneration (short term incentive)

The table below provides the percentage of fixed remuneration which senior executives may earn under the short term incentive (STI) if relevant performance measures are met.

2007	**Maximum Potential STI**		**Actual STI Included in Remuneration**	**% of maximum tier 1 performance earned**	**% of maximum potential STI earned**	**% of maximum potential STI forfeited**
	Tier 1 Target $	Tier 2 Target $	$			
E Eshuys	240,000	350,000	255,000	85	43	57
I Bird [1]	30,000	37,500	26,250	88	39	61
G Campbell-Cowan	120,000	150,000	105,000	88	39	61
R Kennedy	60,000	75,000	60,000	100	44	56
P Thompson	60,000	75,000	55,000	92	41	59

(1) Mr Bird's STI payment and entitlement for the year was calculated on a pro rata basis for the period of employment.

Tier 1 target performance represents challenging but achievable levels of performance. The performance measures vary depending on the individual executive's position, and include both financial and non financial measures.

Tier 2 target performance requires significant performance above and beyond normal expectations and if achieved will result in substantial improvement in key operational areas and financial results.

Amounts included in remuneration as actual cash STI for the financial year represent the amounts accrued in relation to the 2007 financial year, based on achievement of personal goals and satisfaction of specified performance criteria. No additional amounts vest in future years in respect of the bonus schemes for the 2007 financial year.

(iii) Performance of St Barbara Limited (unaudited)

In considering the Group's performance and improvement in shareholder wealth, consideration is given to the following measures in respect of the current financial year and the previous four financial years:

Earnings	2007 $	2006 $	2005 $	2004 $	2003 $
Sales Revenue	130,911,000	115,263,00	46,553,000	21,972,000	56,111,000
EBITDA	28,364,000	13,577,000	15,051,000	(23,004,000)	(6,472,000)
Net profir/(loss) after tax [1]	(2,894,000)	6,019,000	6,831,000	(24,315,000)	(32,733,000)

(1) Net profit amounts for years 2003 to 2005 were calculated in accordance with previous Australian Generally Accepted Accounting Principles. Net profit amounts for 2006 and 2007 were calculated in accordance with the Australian equivalents of International Financial Reporting Standards (A-IFRS) adopted by the Australian Accounting Standards Board. The comparatives for the year ended 30 June 2005 were restated.

Based on the results provided in the table above, the Company has experienced consistent growth in sales revenue and earnings before interest, tax and depreciation and amortisation. The net profit/(loss) after tax for the past three years demonstrates management's attention to improving profitability despite significant exploration expenditure and increased operating costs to prepare the Company for growth.

The table below provides the share price performance of the Company's shares in the 2007 financial year and the previous four financial years. The Company's share price has experienced significant growth over this period.

Shareholder Wealth	**2007**	**2006**	**2005**	**2004**	**2003**
Period end share price (cents per share)	49	57	10	5	4
Average share price for the year (cents per share)	54	40	7	7	11

During the 2007 financial year, the Company's share price traded in a range of 43 to 64 cents per share (2006: 10 to 75 cents per share).

C Share based compensation

(i) Options. Executive Options issued to Mr Eshuys were approved by shareholders at the 2004 Annual General Meeting. All other options were granted under the St Barbara Limited Employee Option Plan, which was approved by shareholders at the 2001 Annual General Meeting of shareholders. All full time employees are eligible to participate in the plan.

Details on options over ordinary shares in the Company that were granted as compensation to each senior executive during the financial year and details of options that vested in the financial year are as follows:

2007	Number of options granted during 2007	Grant date	Fair value per option at grant date (cents per share)	Exercise price per option (cents per share)	Expiry date	Number of options Vested during 2007
E Eshuys	-	-	-	-	-	10,000,000
I Bird	2,000,000 [1]	26 Mar 2007	39.4	52.1	26 Mar 2012	-
G Campbell-Cowan	2,000,000 [2]	11 Sept 2006	39.0	52.8	11 Sept 2011	-
R Kennedy	-	-	-	-	-	-
P Thompson	-	-	-	-	-	-
G Viska	-	-	-	-	-	-

1 50% of options are exercisable on the second anniversary of employment, and 50% on the third anniversary of employment
2 50% of options are exercisable on the first anniversary of employment, and 50% on the second anniversary of employment

2006	Number of options granted during 2007	Grant date	Fair value per option at grant date (cents per share)	Exercise price per option (cents per share)	Expiry date	Number of options Vested during 2006
E Eshuys	-	-	-	-	-	10,000,000
R Kennedy	-	-	-	-	-	-
P Thompson	-	-	-	-	-	-
G Viska	1,000,000[1]	2 Aug 2005	9.4	13.5	2 Aug 2008	1,000,000

1 Options exercisable at grant date

No options have been granted since the end of the financial year. The options were provided at no cost to the senior executives. The vesting of options is subject to a continuing service condition as at each vesting date.

All options expire on the earlier of their expiry date, thirty days after resignation or twelve months after retirement or retrenchment.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

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 in section B. 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.

Further information on the options is set out in Note 89 to the Financial Statements.

(iii) Analysis of movements in options

2007	A	B	C	
	Granted in year $	Exersised in year $	Lapsed in year $	Total option value in year $
E Eshuys	-	7,350,000	-	-
G Campbell-Cowan	780,388	-	-	780,388
I Bird	787,288	-	-	787,288

A. The value of options granted in the year is the fair value of the optio'ns calculated at grant date using a binominal option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.
B. The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Securities Exchange as at close of trading on the day the options were exercised after deducting the price paid to exercise the option.
C. The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using a binominal option-pricing model.

(ii) Exercise of options granted

During the financial year the following shares were issued on the exercise of options previously granted as compensation:

2007	number of shares	amount paid cents per share
E Eshuys	10,000,000	4.72
E Eshuys	5,000,000	15.0
R Kennedy	1,000,000	8.0

2006	number of shares	amount paid cents per share
E Eshuys	10,000,000	4.72
E Eshuys	5,000,000	15.0
P Thompson	1,000,000	8.0
G Viska	1,000,000	13.5

(iv) Analysis of options granted as compensation (unaudited)

	Options Granted					Value Yet to Vest	
	Number	Date	% vested in year	% forfeited in year	financial years grant vests	Minimuum (A) $	Maximum (B) $
E Eshuys	5,000,000	23 Dec 2004	100	-	-	-	-
	5,000,000	23 Dec 2004	100	-	-	-	-
	5,000,000	23 Dec 2004	-		30 June 2008	Nil	15,037
	5,000,000	23 Dec 2004	-		30 June 2009	Nil	69,211
I Bird	1,000,000	26 Mar 2007	-	-	30 June 2009	Nil	341,877
	1,000,000	26 Mar 2007	-	-	30 June 2010	Nil	359,133
G Campbell-Cowan	1,000,000	11 Sept 2006	-	-	30 June 2008	Nil	78,039
	1,000,000	11 Sept 2006	-	-	30 June 2009	Nil	234,116
R Kennedy	-	-	-	-	-	-	-
M Reed	-	-	-	-	-	-	-
P Thompson	-	-	-	-	-	-	-
G Viska	-	-	-	-	-	-	-

A. The minimum value of options yet to vest is $nil as the performance of a service criteria may not be met and consequently the option may not vest.
B. The maximum value of the options yet to vest represents the amount of the grant date fair value of the options that is still to be expensed in the income statement.

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

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

E Eshuys – Managing Director & CEO

Term of agreement – permanent employee commencement 20 July 2004.

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.

I Bird – Chief Operating Officer

Term of agreement – permanent employee commencement 26 March 2007.

Payment of a termination benefit on early termination by the Company, other than for gross misconduct, 4 weeks of base salary and superannuation, plus an additional 1 week's payment of base salary and superannuation if Mr Bird is over 45 years of age and has completed 2 years of continuous service.

G Campbell-Cowan – Chief Financial Officer

Term of agreement – permanent employee commencement 11 September 2006.

Payment of a termination benefit on early termination by the Company, other than for gross misconduct, 4 weeks of base salary and superannuation, plus an additional 1 week's payment of base salary and superannuation if Mr Campbell-Cowan is over 45 years of age and has completed 2 years of continuous service.

R Kennedy – General Manager of Corporate Services/Company Secretary

Term of agreement – permanent employee commencement 29 September 2004.

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.

P Thompson, General Manager Exploration

Term of agreement – permanent employee commencement 24 January 2005.

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.

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.

Sign on payments. A payment of $140,000 was paid to the Chief Operating Officer on the completion of three months of service with the Company. The payment was made to compensate the Chief Operating Officer for bonuses forfeited from his previous employer on agreeing to take up employment with the Company.

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 42. During the year additional accounting advice services were provided by KPMG (refer Note 24 to the financial statements). The Directors are satisfied that the provision of these services did not impair the auditor's independence.

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

During the year the Company paid an insurance premium for the policy. The contract of insurance prohibits disclosure of the amount of the premium and the nature of the liabilities insured 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

During the year the Company did employ the auditor on assignments additional to their statutory audit duties. Details of the amounts paid or payable to the auditor, KPMG (2006: Pricewaterhouse-Coopers), for audit and non-audit services provided during the year are set out in Note 24 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 24 to the financial statements, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor;

None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants; and

The Audit Committee submits annually to the Board a formal written report detailing the nature and amount of any non-audit services rendered by KPMG during the most recent financial year and an explanation of why the provision of these services is compatible with auditor independence. If applicable, the Audit Committee recommends that the Board take appropriate action in response to the Audit Committee's report to satisfy itself of the independence of KPMG.

EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected or may significantly affect in future years the Company's operations, the results of those operations or the state of affairs.

ROUNDING OF AMOUNTS

St Barbara Limited is a Company of the kind referred to in Class Order 98/100 approved by the Australian Securities and Investments Commission and issued pursuant to section 341(1) of the Corporations Act 2001. As a result, amounts in this Directors' Report and the accompanying Financial Report have been rounded to the nearest thousand dollars, except where otherwise indicated.

This report is made in accordance with a resolution of Directors.

For and on behalf of the Board

Dated at Melbourne this 29th day of August 2007

Eduard Eshuys

Managing Director & CEO

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

To: the directors of St Barbara Limited.

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Michael Bray
Partner

Melbourne
29 August 2007

Financial Report

FOR THE YEAR ENDED 30 JUNE 2007

TABLE OF CONTENTS

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 is:

St Barbara Limited
Level 21, 90 Collins St
Melbourne VIC 3000

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 29 August 2007. The Company has the power to amend and reissue the financial report.

Income Statements

FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated		Parent Entity	
		2007	2006	2007	2006
	Notes	$'000	$'000	$'000	$'000
Revenue	5	**134,406**	116,777	**134,406**	116,777
Other income	6	**11,110**	22,933	**11,110**	22,933
Changes in inventories of finished goods and work in progress	11	**2,632**	1,689	**2,632**	1,689
Raw materials and consumables used		**(27,142)**	(19,405)	**(27,142)**	(19,405)
Contract mining, cartage, milling, maintenance, labour and consultants, equipment hire		**(52,430)**	(60,101)	**(52,430)**	(60,101)
Exploration expenditure		**(5,609)**	(14,323)	**(5,609)**	(14,323)
Employee expenses	7	**(22,460)**	(15,981)	**(22,460)**	(15,981)
Depreciation and amortisation	7	**(29,980)**	(9,540)	**(29,980)**	(9,540)
Finance costs		**(2,650)**	(960)	**(2,650)**	(960)
Tenement costs		**(2,195)**	(2,508)	**(2,195)**	(2,508)
Unrealised gain/(loss) on fair value movements of gold derivatives		**2,346**	(4,342)	**2,346**	(4,342)
Realised gain on gold derivatives		**4,342**	-	**4,342**	-
Royalty payments		**(5,431)**	(3,881)	**(5,431)**	(3,881)
Legal		**(2,757)**	(1,764)	**(2,757)**	(1,764)
Insurance		**(1,509)**	(1,247)	**(1,509)**	(1,247)
Lease rental		**(865)**	(628)	**(865)**	(628)
Other expenses		**(2,861)**	(2,128)	**(2,861)**	(1,947)
Profit/(loss) before income tax		**(1,053)**	4,591	**(1,053)**	4,772
Income tax (expense)/benefit	8	**(1,841)**	1,428	**(1,841)**	1,428
Profit/(loss) for the year		**(2,894)**	6,019	**(2,894)**	6,200
Earnings per share for profit attributable to the ordinary equity holders of the Company:					
Basic earnings/(loss) per share (cents per share)	33	(0.35)	0.95		
Diluted earnings/(loss) per share (cents per share)	33	(0.34)	0.92		

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

Balance Sheets

AS AT 30 JUNE 2007

		Consolidated		Parent Entity	
		2007	**2006**	**2007**	**2006**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Current assets					
Cash and cash equivalents	9	**95,484**	79,983	**95,484**	79,983
Trade and other receivables	10	**8,599**	7,296	**9,375**	8,072
Inventories	11	**7,551**	6,137	**7,551**	6,137
Derivative financial assets	12	**2,511**	59	**2,511**	59
Deferred mining costs	13	**23,267**	11,488	**23,267**	11,488
Total current assets		**137,412**	104,963	**138,188**	105,739
Non-current assets					
Available for sale financial assets	14	**17,381**	29,510	**17,381**	29,510
Property, plant and equipment	16	**16,006**	9,991	**15,147**	9,132
Deferred mining costs	13	**-**	3,744	**-**	3,744
Exploration and evaluation	17	**18,188**	1,916	**18,188**	1,916
Mine properties	17	**70,365**	16,928	**70,365**	16,928
Derivative financial assets	12	**10,639**	-	**10,639**	-
Other financial assets	18	**-**	-	**178**	178
Total non-current assets		**132,579**	62,089	**131,898**	61,408
Total assets		**269,991**	167,052	**270,086**	167,147
Liabilities					
Current liabilities					
Trade and other payables	19	**44,551**	28,090	**55,952**	39,491
Interest bearing liabilities	20	**2,149**	1,600	**2,149**	1,600
Provisions	21	**1,272**	602	**1,272**	602
Derivative financial liabilities	12	**-**	9,372	**-**	9,372
Total current liabilities		**47,972**	39,664	**59,373**	51,065
Non-current liabilities					
Interest bearing liabilities	20	**97,662**	298	**97,662**	298
Provisions	21	**29,356**	28,003	**29,356**	28,003
Total non-current liabilities		**127,018**	28,301	**127,018**	28,301
Total liabilities		**174,990**	67,965	**186,391**	79,366
Net assets		**95,001**	99,087	**83,695**	87,781
Equity					
Contributed equity	22	**208,231**	205,815	**208,231**	205,815
Reserves	23(a)	**1,757**	5,365	**1,757**	5,365
Accumulated losses	23(b)	**(114,987)**	(112,093)	**(126,293)**	(123,399)
Total equity		**95,001**	99,087	**83,695**	87,781

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

Statements of Recognised Income & Expense

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		Parent Entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Changes in fair value of available for sale financial assets, net of tax	**(7,799)**	6,794	**(7,799)**	6,794
Changes in fair value of cash flow hedges, net of tax	**3,521**	(3,521)	**3,521**	(3,521)
Income and expense recognised directly in equity	**(4,278)**	3,273	**(4,278)**	3,273
Profit/(loss) for the year	**(2,894)**	6,019	**(2,894)**	6,200
Total recognised income and expense for the year	**(7,172)**	9,292	**(7,172)**	9,473
Attributable to equity holders of the Company	**(7,172)**	9,292	**(7,172)**	9,473

The above Statements of Recognised Income and Expense should be read in conjunction with the accompanying notes.

Cash Flow Statements

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Consolidated		Parent Entity	
		2007	**2006**	**2007**	**2006**
		$'000	**$'000**	**$'000**	**$'000**
Cashflows From Operating Activities:					
Receipts from customers (inclusive of GST)		**130,438**	116,182	**130,438**	116,182
Payments to suppliers and employees (inclusive of GST)		**(106,335)**	(106,506)	**(106,335)**	(106,325)
Interest received		**2,979**	1,514	**2,979**	1,514
Interest paid		**-**	(409)	**-**	(409)
Finance charges - hire purchase agreements		**(163)**	(44)	**(163)**	(44)
Borrowing costs paid		**(474)**	-	**(474)**	-
Net cash inflow from operating activities	31	**26,445**	10,737	**26,445**	10,918
Cashflows From Investing Activities:					
Proceeds from sale of property, plant and equipment		**1,089**	16,783	**1,089**	16,783
Proceeds from sale of tenements		**-**	225	**-**	225
Proceeds from sale of options in listed securities		**330**	-	**330**	-
Proceeds on sale of available for sale financial assets		**29,546**	5,984	**29,546**	5,984
Payment for land		**(507)**	-	**(507)**	-
Payments for property, plant and equipment		**(5,362)**	(1,247)	**(5,362)**	(1,247)
Payments for investments in available for sale financial assets		**(18,922)**	(200)	**(18,922)**	(200)
Payments for development of mining properties		**(50,424)**	(17,676)	**(50,424)**	(17,676)
Payments for mines under construction		**(37,851)**	(6,094)	**(37,851)**	(6,094)
Payments for tenements		**(79)**	-	**(79)**	-
Payments for exploration		**(23,718)**	(18,612)	**(23,718)**	(18,612)
Payment for option premiums		**(4,821)**	-	**(4,821)**	-
Net cash outflow from investing activities		**(110,719)**	(20,837)	**(110,719)**	(20,837)
Cashflows From Financing Activities:					
Net proceeds from issue of shares		**2,098**	65,660	**2,098**	65,660
Proceeds from insurance premium funding/hire purchases		**3,718**	2,605	**3,718**	2,605
Proceeds from issue of convertible notes		**100,000**	-	**100,000**	-
Payments for convertible notes transaction costs		**(3,298)**	-	**(3,298)**	-
Share buy backs		**(874)**	(4,008)	**(874)**	(4,008)
Proceeds in dividend settlement account		**581**	-	**581**	-
Loans to subsidiaries		**-**	-	**-**	(181)
Principal repayments					
- hire purchase agreements		**(656)**	(365)	**(656)**	(365)
- insurance premium funding		**(1,794)**	(1,883)	**(1,794)**	(1,883)
Net cash inflow from financing activities		**99,775**	62,009	**99,775**	61,828
Net increase in cash & cash equivalents		**15,501**	51,909	**15,501**	51,909
Cash and cash equivalents at the beginning of the year		**79,983**	28,074	**79,983**	28,074
Cash & cash equivalents at the end of the year	9	**95,484**	79,983	**95,484**	79,983

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

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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

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group also complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board. 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: Disclosure and Presentation.

Early adoption of standards

The Group has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2006:

- Revised AASB 101 Presentation of Financial Statements (issued October 2006).

No adjustments to any of the financial statements were required for the above pronouncement.

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) held at fair value through profit or loss.

Critical accounting estimates

The preparation of financial statements in conformity with AASBs 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 2007 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 consolidated from the date on which control commences until the date control ceases.

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) Associates and joint ventures

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of voting rights. An interest in an associate and a joint venture entity is accounted for in the consolidated statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the joint venture entity and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture entity on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

Notes to the Financial Statements

(iii) Jointly controlled operations and assets
Details of unincorporated joint ventures and jointly controlled assets are set out in Note 29.

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 the income statement as part of the fair value gain or loss. Translation differences on non monetary financial assets, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

(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. The Group recognises revenue when the significant risks and rewards of ownership are have been transferred to the buyer, the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. Revenue is recognised for the major business activities as follows:

(i) Product sales
Amounts are recognised as sales revenue when there has been a transfer of risk 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.

(ii) Interest income
Interest income is recognised on a time proportion basis using the effective interest method.

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

(iv) Gains on disposal of available-for-sale financial assets
Revenue is recognised when the risks and rewards of ownership have been transferred, which is usually considered to occur on settlement.

(f) Exploration and evaluation/Mine properties

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

Exploration and evaluation expenditure consists of an

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accumulation of acquisition costs and direct exploration and evaluation costs incurred, together with an allocation of directly related overhead expenditure.

Feasibility expenditure represents costs related to the preparation and completion of a feasibility study to enable a development decision to be made in relation to that area of interest.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment policy, Note 1(k)). For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates.

When an area of interest is abandoned, or the Directors determine it is not commercial, accumulated costs in respect of that area are written off in the period the decision is made.

(ii) Mines under construction

Mine development expenditure is accumulated separately for each area of interest in which economically recoverable reserves have been identified. This expenditure includes direct costs of construction, an appropriate allocation of overheads and borrowing costs capitalised during construction. Once a development decision has been taken, all past and future exploration, evaluation and feasibility expenditure in respect for the area of interest is aggregated with the costs of construction and classified under non-current assets as mine development.

(iii) Mine development

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

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

Mine development costs are deferred until commercial production commences, at which time they are amortised on a unit-of-production basis over mineable reserves. The calculation of amortisation takes into account future costs which will be incurred to develop all the mineable reserves. Changes to mineable reserves are applied from the beginning of the reporting period and the amortisation charge is adjusted from the beginning of the period.

(g) Deferred mining expenditure

Certain mining costs, principally those that relate to the stripping of waste and which provide access so that future economically recoverable ore can be mined, are deferred in the balance sheet as deferred mining. These costs are deferred or taken to 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 to ensure the carrying value and the rate of deferral is appropriate.

(h) Taxes

(i) Income tax

The income tax expense or revenue for the year is the tax payable on the current period's taxable income using the income tax rate applicable at the reporting date 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 by changes to unused tax losses.

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

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 not yet elected to implement the tax consolidation legislation.

(ii) 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.

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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.

(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 inception of the lease at the lower of the fair value of the leased property and the present value of the minimum future lease payments. The corresponding rental obligations, net of finance charges, are included in 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

The carrying value of all assets are reviewed half yearly to determine whether there is an indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made. An impairment loss is recognised for the amount by which the 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.
In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(l) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments 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.

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(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 stockpiles and gold stocks are valued at the lower of cost and net realisable value.

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

(o) Non current assets held for sale

Non current assets 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 is to 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 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, 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 is recognised at the date of derecognition.

Non current assets are not depreciated or amortised while they are classified as held for sale.

Non current assets classified as held for sale are presented separately from the other assets in the balance sheet.

(p) Investments and other financial assets

The Group classifies its investments and other financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, 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.

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

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

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

(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.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

(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.

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

(q) Derivatives

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 12. Movements in the hedging reserve in shareholders' equity are shown in Note 23.

(i) Cash flow hedge

The fair value of option contracts comprises intrinsic value, that is, the extent to which the option is in the money due to spot prices falling below the option strike price, and time value.

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 and time value is recognised immediately in the income statement within other income or other expenses.

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 the financial instrument hedging Australian dollar gold sales is recognised in the income statement within 'gold sales revenue'.

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) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method, unless it is designated at fair value through profit and loss. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

(s) 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.

(t) 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	3-10 years

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

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

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

(u) 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 the end of the month of recognition.

(v) Borrowings

Borrowings, including the liability component of the Group's convertible debt, 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.

(w) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are recognised as expenses in the period in which they are incurred.

(x) 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.

(y) Employee benefits

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

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made, plus expected on-costs, in respect of services provided by employees up to the reporting date. Consideration is given to 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.

(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 34.

The fair value of Executive Options and options granted under the St Barbara Limited Employees' Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The amount recognised is adjusted at each reporting date to reflect the actual number of share options not expected to vest.

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 due and become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group has no obligations in respect of defined benefit funds.

(v) Executive 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. The Group recognises a liability and an expense for bonuses in the reporting period used to calculate the value of the bonuses.

(z) 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, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the income statement and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

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(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 reporting period, adjusted for bonus elements in ordinary shares issued during the reporting period.

(ii) Diluted earnings per share

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

(ab) Restricted cash and cash equivalents

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

(ac) 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 of 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.

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.

(ad) 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.

(ae) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Adoption of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

(ii) Interpretation 10 Interim Financial Reporting and Impairment

Interpretation 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments or equity instruments or financial assets carried at cost in a previous interim reporting period. Therefore, application of the standard will have no impact on the Group's or the parent entity's financial statements.

(iii) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]

AASB 8 replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting, and is applicable for annual reporting periods beginning on or after 1 January 2009. AASB 8 is not expected to have any impact on the financial results of the Company and the Group as the standard is only concerned with disclosures.

Notes to the Financial Statements

(iv) Interpretation 11 AASB 2 Share-based Payment – Group and Treasury Share transactions and AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]
Interpretation 11 addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving the services. Interpretation 11 will become mandatory for the Group's 2008 financial report. It is not expected to have any impact on the financial statements of the Group or parent entity.

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 dollar 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 counterparties. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

(c) *Liquidity risk*

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

(d) *Cash flow and fair value interest rate risk*

The Group has significant interest bearing assets however, as these assets are short dated (60 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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates under different assumptions and conditions. Estimates and judgements are continually evaluated and are based on historical experience and on various other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is changed and in any future periods affected.

The Company has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made, and where actual results may differ from these estimates under different assumptions and conditions that could materially affect financial results or financial position reported in future periods.

(i) Ore reserve estimates
Reserves are estimates of the amount of gold product that can be economically extracted from the consolidated entity's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, future capital requirements, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data. This process may require complex and difficult geological judgements and calculations to interpret the data.

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The consolidated entity determines and reports ore reserves under the Australasian Code for Reporting of Mineral Resource and Ore Reserves September 1999, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves. Due to the fact that economic assumptions used to estimate reserves change from period to period, and geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the consolidated entity's financial results and financial position in a number of ways, including:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Depreciation and amortisation charged in the income statement may change where such charges are calculated using the units of production basis.
- Waste stripping costs recorded on the balance sheet or charged in the income statement may change due to a revision in stripping ratios.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

(ii) Units of production method of amortisation

The consolidated entity applies the units of production method for amortisation of its life of mine specific assets, which results in an amortisation charge proportional to the depletion of the anticipated remaining life of mine production. These calculations require the use of estimates and assumptions; changes to these will impact the amortisation charge in the income statement and asset carrying values.

(iii) 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). Value-in-use is generally determined as the present value of the estimated future cash flows. Present values are determined using a risk adjusted pre-tax discount rate appropriate to the risks inherent in the asset.

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 a 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.

Future cash flow estimates are based on expected production volumes, the short and long term forecasts of the Australian dollar gold price, ore reserves, operating costs, future capital expenditure and restoration and rehabilitation costs. Management is required to make these estimates and assumptions, which are subject to risk and uncertainty. As a result there is a possibility that changes in circumstances will alter these projections, which could impact on the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be impaired, giving rise to an impairment charge in the income statement.

(iv) Exploration and evaluation expenditure

As set out in Note 1(f) exploration and evaluation expenditure is capitalised for an area of interest where it is considered likely to be recoverable from future exploitation or sale, or where the activities have reached a stage which permits a reasonable assessment of the existence of ore reserves. The accounting policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. These estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the accounting policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.

(v) Rehabilitation and mine closure provisions

As set out in Note 1(x), the value of these provisions represents the discounted value of the present obligation to restore, dismantle and rehabilitate each site. Significant judgement is required in determining the provisions for mine rehabilitation and closure as there are many transactions and other factors that will affect the ultimate costs necessary to rehabilitate the mine sites. The discounted value reflects a combination of management's best estimate of the cost of performing the work required, the timing of the cash flows and the discount rate.

A change in any, or a combination of, the key assumptions used to determine the provisions could have a material impact to the carrying value of the provisions (refer to Note 21).

Notes to the Financial Statements

The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the balance sheet by adjusting both the restoration and rehabilitation asset and provision.

(vi) Derivative financial instruments

The consolidated entity assesses the fair value of its purchased gold put options at each reporting date. Premiums for purchased gold put option contracts with an aggregate fair value of $13,150,000 as at 30 June 2007 have been designated as effective hedges and accounted for in accordance with Note 1(q). As at 30 June 2007, the put options had no intrinsic value. Movements in time value of $2,346,000 have been recorded as a fair value adjustment directly in the income statement.

Fair values have been determined based on market observable data at the reporting date, and with the assistance of an external valuation consultant. These calculations require the use of estimates and assumptions. Changes in assumptions in relation to gold prices and volatilities could have a material impact on the fair valuation attributed to the gold put options at reporting date. When these assumptions change in the future the differences will impact the hedging reserve and/or income statement in the period in which the change occurs.

(vii) Share based payments

The consolidated entity measures the fair value of options issued to certain employees at the date they are granted. The fair value is determined by an external valuation expert using a Black Scholes option valuation model, using the assumptions detailed in Note 34 to the financial statements.

(viii) Deferred tax

The consolidated entity has not recognised a net deferred tax asset of $21,288,000 as at 30 June 2007 on the basis that the ability to utilise the temporary differences and tax losses is not probable.

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.

Notes to the Financial Statements

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NOTE 5 - REVENUE

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Sales revenue				
Sale of gold	**130,371**	114,941	**130,371**	114,941
Sale of silver	**540**	322	**540**	322
	130,911	115,263	**130,911**	115,263
Other revenue				
Interest	**3,213**	1,514	**3,213**	1,514
Sub-lease rental	**101**	-	**101**	-
Royalty revenue	**181**	-	**181**	-
	3,495	1,514	**3,495**	1,514
Total revenue	**134,406**	116,777	**134,406**	116,777

NOTE 6 - OTHER INCOME

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Profit on sale of assets	**1,078**	22,796	**1,078**	22,796
Profit on sale of available for sale financial assets	**9,993**	-	**9,993**	-
Other	**39**	137	**39**	137
	11,110	22,933	**11,110**	22,933

Notes to the Financial Statements

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NOTE 7 - EXPENSES

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Profit/(loss) before income tax includes the following specific expenses:				
Depreciation				
Buildings	**-**	49	**-**	49
Plant and equipment	**542**	583	**542**	583
	542	632	**542**	632
Amortisation				
Mine development costs	**15,999**	8,641	**15,999**	8,641
Deferred waste stripping	**12,920**	-	**12,920**	-
Plant/equipment finance leases	**519**	267	**519**	267
	29,438	8,908	**29,438**	8,908
Interest expense				
Interest paid/payable	**733**	176	**733**	176
Provisions: unwinding of discount	**2,013**	784	**2,013**	784
Interest capitalised	**(570)**	-	**(570)**	-
	2,176	960	**2,176**	960
Employee expenses				
Wages and salaries	**19,172**	13,888	**19,172**	13,888
Contributions to defined contribution superannuation funds	**1,569**	1,097	**1,569**	1,097
Share-based payments expense	**1,719**	996	**1,719**	996
	22,460	15,981	**22,460**	15,981
Rental expense relating to operating leases				
Lease payments	**865**	365	**865**	365
Litigation settlement relating to Westgold Resources NL[1]	**700**	-	**700**	-

(1) During the year, the Group settled in the Western Australia Supreme Court proceedings initiated by Westgold Resources NL against the Company. This action was settled for the sum of $700,000.

Notes to the Financial Statements

NOTE 8 - INCOME TAX EXPENSE

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

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Deferred income tax expense/(benefit)	**1,841**	(1,428)	**1,841**	(1,428)

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

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Profit/(loss) before income tax	**(1,053)**	4,591	**(1,053)**	4,772
Tax at the Australian tax rate of 30%	**(316)**	1,377	**(316)**	1,432
Tax effect of amounts not deductible/(taxable) in calculating taxable income:				
Legal and other capital expenditure	**765**	106	**765**	106
Share based payments	**516**	299	**516**	299
Information technology costs	**137**	176	**137**	176
Share issue costs	**(143)**	(143)	**(143)**	(143)
Sundry items	**-**	33	**-**	33
Tax losses not recognised/(prior year tax losses not recognised now recouped)	**882**	(3,276)	**882**	(3,331)
Income tax expense/(benefit)	**1,841**	(1,428)	**1,841**	(1,428)

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

(c) *Unrecognised deferred tax balance*

	Consolidated		Parent Entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax liabilities:				
Investment fair value reserve (1)	**-**	9,790	**-**	9,790
Depreciation	**-**	260	**-**	260
Accrued income	**749**	486	**749**	486
Mining properties – exploration	**16,776**	1,916	**16,776**	1,916
Mining properties – development	**28,783**	10,029	**28,783**	10,029
Consumables	**2,327**	-	**2,327**	-
Option premium	**2,345**	-	**2,345**	-
Convertible note	**235**	-	**235**	-
Total	**51,215**	22,481	**51,215**	22,481
Tax effect @ 30%	**15,365**	6,744	**15,365**	6,744
Deferred tax assets:				
Tax losses	**86,878**	49,074	**86,878**	49,074
Unrealised gold cash flow hedge reserve (1)	**13**	5,029	**13**	5,029
Unrealised loss on gold derivative	**-**	4,342	**-**	4,342
Provisions and accruals	**31,640**	29,481	**31,640**	29,481
Investment fair value reserve (1)	**1,436**	-	**1,436**	-
Tax assets without a carrying amount	**1,451**	-	**1,451**	-
Depreciation	**758**	-	**758**	-
Total	**122,176**	87,926	**122,176**	87,926
Tax effect @ 30%	**36,653**	26,378	**36,653**	26,378
Net deferred tax asset (unbooked)(2)	**21,288**	19,634	**21,288**	19,634

(1) These deferred tax balances have initially been recognised in equity. In 2006, as the deferred tax asset recognised in equity was less than the deferred tax liability recognised in equity, an income tax benefit of $1,428,000 was recognised. In 2007, the hedge contracts have matured, and the investments were sold or revalued, resulting in a reversal of the income tax benefit, and an income tax expense for the year of $1,841,000 (includes the tax effect of listed investments revalued).

(2) The net deferred tax asset has not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Notes to the Financial Statements

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NOTE 9 - CASH AND CASH EQUIVALENTS

	Consolidated		Parent entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and on hand	**26,620**	75,361	**26,620**	75,361
Deposits at call	**60,749**	3,975	**60,749**	3,975
Restricted cash	**8,115**	647	**8,115**	647
	95,484	79,983	**95,484**	79,983

(a) Cash at bank and on hand

Cash at bank at 30 June 2007 invested "at call" was earning interest at a rate of 6.21% per annum.

(b) Deposits

The deposits at 30 June 2007 invested at call were earning interest at rates of between 6.32% and 6.35% per annum.

(c) Restricted cash

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

	Consolidated		Parent entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Current assets				
Trade receivables	**3,449**	3,057	**3,449**	3,057
Subsidiary loans	**-**	-	**1,896**	1,896
Provision for non-recovery	**-**	-	**(1,120)**	(1,120)
	-	-	**776**	776
Other receivables	**3,273**	2,624	**3,273**	2,624
Prepayments	**1,877**	1,615	**1,877**	1,615
	8,599	7,296	**9,375**	8,072

(a) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of receivables is set out in Note 15.

Notes to the Financial Statements

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NOTE 11 - INVENTORIES

	Consolidated		Parent entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Consumables[(1)]	**2,334**	2,476	**2,334**	2,476
Ore stockpiles	**1,194**	2,774	**1,194**	2,774
Gold in circuit	**4,023**	887	**4,023**	887
	7,551	6,137	**7,551**	6,137

(1) $1,218,000 of insurance spares classified as consumables in 2006 have been transferred to Property, Plant and Equipment in 2007 (Note 16).

(a) *Lower of cost and net realisable value*

Ore stockpiles of $1,194,000 at 30 June 2007 are valued at fair value less costs to sell.

NOTE 12 - DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		Parent entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Current assets				
Fair value of gold option premiums	**2,511**	-	**2,511**	-
Listed options at fair market value	**-**	59	**-**	59
	2,511	59	**2,511**	59
Non-current assets				
Fair value of gold option premiums	**10,639**	-	**10,639**	-
Current liabilities				
Commodity hedge contracts	**-**	9,372	**-**	9,372

(a) *Instruments used by the Group*

The Group is party to derivative financial instruments in the normal course of business in order to protect future segment revenue from gold operations from a significant fall in the Australian dollar gold price, in accordance with the Group's financial risk management policies (refer to Notes 1 and 2).

During March and May 2007, the Company entered into put option contracts at a strike price of AUD700 per ounce for 1,328,400 ounces of future production at Gwalia at a total cost of $8,004,000, with maturity dates between July 2008 and June 2017. These contracts do not constitute a commitment, but provides the Company with the ability to sell 1,328,400 ounces of gold to the respective counterparties at AUD700 per ounce should the spot gold price fall below this level. At 30 June 2007, the fair value of these contracts was $10,639,000.

During June 2007, the Company entered into similar put option contracts at a strike price of AUD760 per ounce for 173,600 ounces of production at Southern Cross for fiscal 2008 at a total cost of $2,800,000. At 30 June 2007, the fair value of these contracts was $2,511,000.

Notes to the Financial Statements

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NOTE 12 - DERIVATIVE FINANCIAL INSTRUMENTS (CONT.)

The maturity profile of the put option contracts is provided in the table below.

Strike Price	Total ounces	6 months or less ounces	6 – 12 months ounces	1 – 2 years ounces	2 – 5 years ounces	More than 5 years ounces
A$700/oz	1,328,400	-	-	94,800	652,800	580,800
A$760/oz	173,600	89,800	83,800	-	-	-

(b) ***Interest rate risk exposures***

Refer to Note 15 for the Group's exposure to interest rate risk.

(c) ***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 manages this risk by using gold put options to guarantee a minimum Australian dollar gold price as described in (a) above.

NOTE 13 - DEFERRED MINING COSTS

	Consolidated		Parent entity	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Current				
Deferred waste	**20,306**	11,488	**20,306**	11,488
Amortisation of deferred waste	**(12,920)**	-	**(12,920)**	-
	7,386	11,488	**7,386**	11,488
Deferred operating development	**15,881**	-	**15,881**	-
	23,267	11,488	**23,267**	11,488
Non-current				
Deferred waste	**-**	3,744	**-**	3,744

Notes to the Financial Statements

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NOTE 14 - AVAILABLE FOR SALE FINANCIAL ASSETS

	Consolidated		Parent entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
At beginning of year	**29,510**	-	**29,510**	-
Adjustment on adoption of AASB 132 and AASB 139	**-**	3,420	**-**	3,420
Additions	**18,922**	19,779	**18,922**	19,779
Disposals	**(29,546)**	(3,420)	**(29,546)**	(3,420)
Revaluation surplus transferred (from)/to equity	**(1,505)**	9,731	**(1,505)**	9,731
At end of year	**17,381**	29,510	**17,381**	29,510

(a) Listed securities

Listed securities include shares listed on Australian or recognised overseas exchanges.
Investments in listed securities during fiscal 2007 largely arose by purchasing shares on active markets.
All investments held at 30 June 2007 are in companies listed on the Australian Securities Exchange.

NOTE 15 - FINANCIAL INSTRUMENTS

(a) Credit Risk Exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under respective contracts at maturity. This arises with amounts receivable from unrealised gains on derivative financial instruments. At balance date, the fair value of gold put options contracts receivable by the Group was $13,150,000.

Management has an established credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Transactions involving derivatives are with counterparties that have sound credit ratings.

At balance date, there were no significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives.

(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.

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NOTE 15 - FINANCIAL INSTRUMENTS (CONT.)

	Floating Interest rate $'000	Fixed Interest Maturing in 2007 1 year or less $'000	Over 1 to 5 years $'000	Non- interest bearing $'000	Total $'000
Financial assets					
Cash and cash equivalents	26,620	60,749	-	-	87,369
Restricted cash	-	8,115	-	-	8,115
Receivables	-	-	-	6,722	6,722
Available for sale financial assets	-	-	-	17,381	17,381
Fair value of gold option premiums	-	-	-	13,150	13,150
	26,620	68,864	-	37,253	132,737
Weighted average interest rate	6.21%	6.32%	-	-	
Financial liabilities					
Trade and other creditors	-	-	-	44,551	44,551
Lease liabilities	-	493	1,053	164	1,710
Convertible notes	-	-	100,000	-	100,000
Other loans	-	1,620	-	-	1,620
	-	2,113	101,053	44,715	147,881
Weighted average interest rate	-	8.44%	8.00%	-	
Net financial assets/(liabilities)	26,620	66,751	(101,053)	(7,462)	(15,144)

	Floating Interest rate $'000	Fixed Interest Maturing in 2006 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	-	-	-	28,090	28,090
Lease liabilities	-	346	298	-	644
Commodity hedge contracts	-	-	-	9,372	9,372
Other loans	-	1,254	-	-	1,254
	-	1,600	298	37,462	39,360
Weighted average interest rate	-	7.97%	8.17%	-	-
Net financial assets/(liabilities)	24,584	53,799	(298)	(2,271)	75,814

Notes to the Financial Statements

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NOTE 15 - FINANCIAL INSTRUMENTS (CONT.)

(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 values. The net fair value of other monetary financial assets and financial liabilities is based upon market prices.

(ii) Off-Balance Sheet

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

(iii) Fair values

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

	2007		2006	
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	**95,484**	**95,484**	79,983	79,983
- Receivables	**6,722**	**6,722**	5,681	5,681
- Available for sale financial assets	**17,381**	**17,381**	29,510	29,510
- Gold put option premiums	**13,150**	**13,150**	-	-
- Listed options	**-**	**-**	59	59
	132,737	**132,737**	115,233	115,233
Financial liabilities				
- Payables	**44,551**	**44,551**	28,090	28,090
- Convertible notes	**100,000**	**100,000**	-	-
- Forward contracts	**-**	**-**	9,372	9,372
- Other loans	**3,330**	**3,330**	1,898	1,898
	147,881	**147,881**	39,360	39,360

Notes to the Financial Statements

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NOTE 16 - PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent entity	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Non-current				
Land	**1,366**	859	**507**	-
Housing & Site Buildings	**1,500**	1,500	**1,500**	1,500
Plant and equipment	**15,175**	8,215	**15,175**	8,215
Less accumulated depreciation	**(2,035)**	(583)	**(2,035)**	(583)
	16,006	9,991	**15,147**	9,132

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

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Land				
At the beginning of the year	**859**	972	**-**	113
Additions	**507**	-	**507**	-
Disposals	**-**	(5)	**-**	(5)
Write off of assets	**-**	(108)	**-**	(108)
At the end of the year	**1,366**	859	**507**	-
Housing & Site Buildings				
At the beginning of the year	**1,500**	-	**1,500**	-
Transferred from plant & equipment	**-**	1,500	**-**	1,500
At the end of the year	**1,500**	1,500	**1,500**	1,500
Plant and equipment				
At the beginning of the year	**7,632**	7,919	**7,632**	7,919
Transfer from assets held for resale	**-**	818	**-**	818
Transfer from inventory	**1,218**	-	**1,218**	-
Additions	**5,362**	1,247	**5,362**	1,247
Disposals	**(11)**	-	**(11)**	-
Depreciation	**(1,061)**	(583)	**(1,061)**	(583)
Transferred to inventory	**-**	(269)	**-**	(269)
Transferred to Housing & Site Buildings	**-**	(1,500)	**-**	(1,500)
At the end of the year	**13,140**	7,632	**13,140**	7,632
	16,006	9,991	**15,147**	9,132

(a) Security

As at 30 June 2007, plant and equipment with a carrying value of $1,500,000 is held as security for finance leases (Note 20).

Notes to the Financial Statements

NOTE 17 - MINE PROPERTIES/EXPLORATION AND EVALUATION

	Consolidated		Parent Entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Mine development				
At beginning of the year	**10,834**	5,781	**10,834**	5,781
Direct expenditure	**29,469**	17,676	**29,469**	17,676
Transferred from exploration and evaluation	**1,781**	-	**1,781**	-
New rehabilitation obligations	**-**	120	**-**	120
Adjustment to rehabilitation provision	**(235)**	-	**(235)**	-
Amortisation for the year	**(15,999)**	(12,743)	**(15,999)**	(12,743)
At end of the year	**25,850**	10,834	**25,850**	10,834
Mines under construction[(1)]				
At beginning of the year	**6,094**	-	**6,094**	-
Direct expenditure	**37,851**	6,094	**37,851**	6,094
Borrowing costs capitalised	**570**	-	**570**	-
At end of the year	**44,515**	6,094	**44,515**	6,094
	70,365	16,928	**70,365**	16,928

(1) Mines under construction represents pre-production expenditure at Gwalia.

	Consolidated		Parent Entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Exploration and evaluation				
At beginning of the year	**1,916**	9,067	**1,916**	9,067
Acquired tenements	**79**	135	**79**	135
Tenements written off	**(135)**	-	**(135)**	-
Expenditure capitalised in the year	**18,109**	1,781	**18,109**	1,781
Transferred to mine properties	**(1,781)**	-	**(1,781)**	-
Disposals	**-**	(9,067)	**-**	(9,067)
At end of the year	**18,188**	1,916	**18,188**	1,916

NOTE 18 - OTHER FINANCIAL ASSETS

	Consolidated		Parent entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Other financial assets	**-**	-	**178**	178

(a) Other financial assets represents the Parent entity's investment in wholly owned subsidiaries. Refer Note 28 for further detail.

Notes to the Financial Statements

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NOTE 19 - TRADE AND OTHER PAYABLES

	Consolidated		Parent entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Trade payables	**35,929**	27,000	**35,929**	27,000
Loans from subsidiaries	**-**	-	**11,401**	11,401
Other payables	**8,622**	1,090	**8,622**	1,090
	44,551	28,090	**55,952**	39,491

NOTE 20 - INTEREST BEARING LIABILITIES

	Consolidated		Parent entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Secured				
Lease liabilities (Note 26)	**529**	346	**529**	346
Unsecured				
Insurance premium funding	**1,620**	1,254	**1,620**	1,254
	2,149	1,600	**2,149**	1,600
Non-current				
Secured				
Lease liabilities (Note 26)	**1,181**	298	**1,181**	298
Unsecured				
Convertible notes	**100,000**	-	**100,000**	-
Convertible notes transaction costs	**(3,519)**	-	**(3,519)**	-
	97,662	298	**97,662**	298

(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 Note 15.

(c) ***Convertible notes***
On 4 June 2007, the Company issued $100,000,000 of convertible notes at a coupon rate of 8% payable 6 monthly in arrears. Unless previously redeemed, converted, or purchased and cancelled, the notes will be redeemed on 4 June 2012 at 100% of their principal amount. Holders of the convertible notes are able to redeem all or some of the notes at the principal amount together with any accrued interest on the third anniversary of issue. The issue of the convertible notes was ratified at an Extraordinary General Meeting of shareholders held on 26 June 2007.

A $7,000,000 convertible loan from Resource Capital Funds III LP 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.

Notes to the Financial Statements

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NOTE 20 - INTEREST BEARING LIABILITIES (CONT.)

(d) ***Set off of assets and liabilities***

The parent entity has established a legal right of set off with a financial institution over cash on deposit to secure the issue of bank guarantees for the purpose of environmental performance bonds and rental obligations. At 30 June 2007 restricted cash for this purpose amounted to $8,115,000 (2006: $647,000).

NOTE 21 - PROVISIONS

	Consolidated		Parent entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Employee benefits – annual leave	**1,209**	602	**1,209**	602
Employee benefits – long service leave	**63**	-	**63**	-
	1,272	602	**1,272**	602
Non-current				
Provision for rehabilitation	**28,900**	27,951	**28,900**	27,951
Employee benefits – long service leave	**456**	52	**456**	52
	29,356	28,003	**29,356**	28,003

Movements in provisions

	Consolidated		Parent Entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Rehabilitation				
Balance at beginning of year	**27,951**	39,111	**27,951**	39,111
Additional provision for new activities	**-**	120	**-**	120
Reduction related to disposal of tenements	**-**	(10,913)	**-**	(10,913)
Unwinding of discount	**2,013**	784	**2,013**	784
Payments made	**(829)**	(791)	**(829)**	(791)
Adjustment on re-estimation	**(235)**	(360)	**(235)**	(360)
Balance at end of year	**28,900**	27,951	**28,900**	27,951

Notes to the Financial Statements

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NOTE 22 - CONTRIBUTED EQUITY

(a) *Share capital*

	Parent entity 2007 Shares	Parent entity 2006 Shares	Parent entity 2007 $'000	Parent entity 2006 $'000
Ordinary shares				
Fully paid	**836,555,567**	819,390,567	**208,231**	205,815

(b) *Movements in ordinary share capital:*

Date		Details	Notes	Number of shares	Issue price (cents/ share)	$'000
1 July 2005		Opening balance		566,533,352		135,053
	Plus	Share issues				
		• Exercise of options	(i), (ii), (iii)	63,662,275	13	8,638
		• Placement of new shares	(iv)	99,000,000	60	59,400
	Less	Transaction costs arising on share issue				(2,378)
	Less	Share buybacks	(v)	(9,805,060)	41	(4,008)
	Plus	Conversion of convertible note	(vi)	100,000,000		6,667
	Plus	Transfer of Option Reserve on conversion of options				2,443
1 July 2006		Opening balance		819,390,567		205,815
	Plus	Shares issued on exercise of options	(ii)	18,665,000	11	2,098
	Plus	Transfer of Option Reserve on conversion of options				986
	Less	Share buybacks	(v)	(1,500,000)	45	(668)
30 June 2007				836,555,567		208,231

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

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

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

(iv) Share placement on 18 May 2006

(v) On market buyback of shares

(vi) Conversion of $7,000,000 convertible loan on 27 March 2006 by Resource Capital Funds III LP.

(c) *Ordinary shares*

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

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

(d) *Options*

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 34.

Notes to the Financial Statements

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NOTE 23 - RESERVES AND RETAINED PROFITS

(a) Reserves

	Consolidated		Parent Entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Reserves				
Share based payments reserve	**2,330**	1,660	**2,330**	1,660
Investment fair value reserve	**(1,005)**	6,794	**(1,005)**	6,794
Convertible liability reserve	**432**	432	**432**	432
Gold cash flow hedge reserve	**-**	(3,521)	**-**	(3,521)
	1,757	5,365	**1,757**	5,365
Share based payment reserve:				
Balance at beginning of year	**1,660**	664	**1,660**	664
Options expense	**1,719**	996	**1,719**	996
Options exercised	**(986)**	-	**(986)**	-
Options expired	**(63)**	-	**(63)**	-
Balance at end of year	**2,330**	1,660	**2,330**	1,660
Investments fair value reserve:				
Balance at beginning of year	**6,794**	-	**6,794**	-
Adjustment on adoption of AASB 132 and AASB 139	**-**	887	**-**	887
Transfer on disposal	**(9,644)**	(887)	**(9,644)**	(887)
Fair value adjustments	**(1,505)**	9,731	**(1,505)**	9,731
Tax effect of fair value adjustment @ 30%	**3,350**	(2,937)	**3,350**	(2,937)
Balance at end of year	**(1,005)**	6,794	**(1,005)**	6,794
Convertible liability reserve:				
Balance at beginning of year	**432**	-	**432**	-
Adjustment on adoption of AASB 132 and AASB 139	**-**	432	**-**	432
Balance at end of year	**432**	432	**432**	432
Gold cash flow hedge reserve:				
Balance at beginning of year	**(3,521)**	-	**(3,521)**	-
Transfer to net profit on maturity – gross	**5,030**	(5,029)	**5,030**	(5,029)
Tax effect of fair value adjustment @ 30%	**(1,509)**	1,508	**(1,509)**	1,508
Balance at end of year	**-**	(3,521)	**-**	(3,521)

Notes to the Financial Statements

30 JUNE 2007

NOTE 23 - RESERVES AND RETAINED PROFITS (CONT.)

(b) *Accumulated losses*

Movements in accumulated losses were as follows:

	Consolidated		Parent Entity	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Balance at beginning of year	**(112,093)**	(118,087)	**(123,399)**	(129,574)
Adjustment on adoption of AASB132 and AASB139	**-**	(25)	**-**	(25)
Profit / (loss) attributable to members of St Barbara Limited	**(2,894)**	6,019	**(2,894)**	6,200
Balance at end of year	**(114,987)**	(112,093)	**(126,293)**	(123,399)

(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 investment fair value reserve, as described in Note 1(p). Amounts are recognised in the income statement when the associated assets are sold or impaired.

(d) *Gold hedge reserve – cash flow hedges*

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1(q). Amounts are recognised in the income statement 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.

(f) *Convertible liability reserve*

The convertible liability reserve represents an AIFRS transitional adjustment on the conversion of the RCF convertible note.

Notes to the Financial Statements

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NOTE 24 - 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		Parent Entity	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
(a) Assurance services				
Audit services				
KPMG Australian firm(1)				
Audit and review of financial reports and other audit work under the Corporations Act 2001	**180**	-	**180**	-
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the Corporations Act 2001	**-**	179(2)		179(2)
Total remuneration for audit services	**180**	179	**180**	179
(b) Non-audit services				
KPMG Australian firm				
Comfort letter for issue of convertible notes	**50**	-	**50**	-
Other accounting advice	**15**	-	**15**	-
Total remuneration for non-audit services	**65**	-	**65**	-
(c) Taxation Services				
PricewaterhouseCoopers Australian firm				
Tax compliance services, including review of Company income tax returns	**55**	93	**55**	93
Total remuneration for taxation services	**55**	93	**55**	93

(1) KPMG was appointed as auditor at the Annual General Meeting held on 16 November 2006.

(2) Included is an amount of $20,000 for the consolidated entity and for the parent entity for the transition to Australian equivalents of International Financial Reporting Standards.

Notes to the Financial Statements

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NOTE 25 - CONTINGENCIES

(a) *Contingent liabilities*

The parent entity and Group have a contingent liability at 30 June 2007 in respect of the following legal claim:

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 this 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.

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.

(b) *Bank guarantees*

The Group has negotiated bank guarantees in favour of various government authorities and service providers. The total of these guarantees at 30 June 2007 was $20,115,000 (2006: $20,646,000).

Notes to the Financial Statements

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NOTE 26 - COMMITMENTS FOR EXPENDITURE

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Exploration				
In order to maintain rights of tenure to mining tenements, the consolidated entity is committed to tenement rentals and minimum exploration expenditure in terms of the requirements of the Western Australian Department of Industry and Resources. This requirement will continue for future years with the amount dependent upon tenement holdings	**8,267**	9,111	**8,267**	9,111

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Finance Lease Commitments				
Payable not later than one year	**596**	405	**596**	405
Payable later than one year, not later than five years	**1,156**	296	**1,156**	296
	1,752	701	**1,752**	701
Future finance charges	**(206)**	(57)	**(206)**	(57)
Recognised as a liability	**1,546**	644	**1,546**	644
Lease incentives on non-cancellable operating leases included in lease liabilities	**164**	-	**164**	-
Total lease liabilities	**1,710**	644	**1,710**	644
Current (Note 20)	**529**	346	**529**	346
Non-current (Note 20)	**1,181**	298	**1,181**	298
	1,710	644	**1,710**	644

These commitments relate to plant and equipment, and are based on the cost of the assets and are payable over a period of up to 48 months.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Analysis of Non-Cancellable Operating Lease Commitments				
Payable not later than one year	**773**	358	**773**	358
Payable later than one year, not later than five years	**2,629**	1,475	**2,629**	1,475
	3,402	1,833	**3,402**	1,833

The non-cancellable operating lease commitments are the net rental payments associated with rental properties. At 30 June 2007, $164,000 (2006: nil) was recognised as a liability for a lease incentive received.

Notes to the Financial Statements

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NOTE 26 - COMMITMENTS FOR EXPENDITURE (CONT.)

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Analysis of non-cancellable operating sub-lease receipts				
Receivable not later than one year	**182**	-	**182**	-
Receivable later than one year, not later than five years	**540**	-	**540**	-
	722	-	**722**	-

Sub-lease rental is associated with the sub-letting of premises rented by the Company.

NOTE 27 - RELATED PARTY TRANSACTIONS

(a) Directors and specified executives

Disclosures relating to Directors and specified executives are set out in Note 35.

(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 did not transact with any entities in the wholly-owned group (2006: $181,000 was advanced to entities in the wholly owned group). Net receivables from subsidiaries amounted to $776,000 (2006: $776,000). The Company provided accounting and administrative assistance free of charge to all of its wholly-owned subsidiaries.

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

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

	Parent Entity	
	2007	2006
	$'000	$'000
Aggregate amounts receivable at balance date from:		
Entities in the wholly-owned group	**1,896**	1,896
Less provision for doubtful receivables	**(1,120)**	(1,120)
	776	776
Aggregate amounts payable at balance date to:		
Entities in the wholly-owned group	**11,401**	11,401

(d) Guarantees

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

(e) Terms and conditions

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

(f) Amounts receivable from Director related entities

At 30 June 2007, there were no amounts receivable from Director related entities.

Notes to the Financial Statements

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NOTE 27 - RELATED PARTY TRANSACTIONS (CONT.)

(g) *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 entity and their Director related entities were:

Director	Consolidated and Parent Entity 2007 $	2006 $
H G Tuten[(1)]	-	698,380

(1) Payments to Resource Capital Fund III LP in respect of finance facilities received, comprising a $7,000,000 Convertible Note and a $21,000,000 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 28 - CONTROLLED ENTITIES

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

		Equity Holding		Cost of Company's Investment	
	Class of Shares	2007 %	2006 %	2007 $'000	2006 $'000
Name of entity					
Australian Eagle Oil Co Pty Ltd	Ordinary	**100**	100	**178**	178
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	178

Each company in the consolidated entity was incorporated in Australia.

Notes to the Financial Statements

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NOTE 29 - INTERESTS IN JOINT VENTURES

Jointly controlled assets

Joint Venturers	2007 Equity %	2006 Equity %	Joint Venture
Western Australia			
Leonora Region			
Mount Newman - Victory	**87%**	87%	Astro Diamond Mines N.L.
Sandy Soak	**91%**	91%	Hunter Resources Pty Ltd
Melita	**60%**	60%	Dalrymple Resources N.L.
Weebo	**20%**	20%	Plutonic Operations Limited
McEast/Pipeline	**80%**	80%	Cheperon Gold Partnership
Mt George	**51%**	-	Trevor John Dixon
Black Cat	**100%, diluting to 40%**	-	Terrain Minerals Ltd
Southern Cross Region			
Cornishman Exploration	**51%**	51%	Troy Resources NL
Cornishman Mining	**51%**	51%	Troy Resources NL
Silver Phantom	**70%**	70%	Bellriver Pty Ltd
South Rankin	**75%**	75%	Comet Resources Limited
Copperhead	**51%**	51%	Troy Resources NL
Cheritons Find	**90%**	90%	Audax Resources NL
Southern Cross	**earning 60%**	earning 60%	Troy Resources NL, Aminta Pty Ltd
Kalgoorlie Region			
New Mexico	**40%**	40%	Tasman Exploration Pty Ltd
Golden Mile South(1)	**earning 51%**	-	Golden Mile South Pty Ltd
Murchinson Region			
Cue	**20%**	-	Cougar Metals NL
Northern Territory			
Alcoota	**-**	farming out 100%	Tanami Exploration NL
South Australia			
Coober Pedy	**12.61%**	12.61%	Newmont Exploration Pty Ltd, Sabatica Pty Ltd

(1) To earn 51%, the Group is required to spend $3,000,000 over the next three years to March 2010.

As at 30 June 2007, there were no joint venture assets recorded in the balance sheet (2006: $nil).

Notes to the Financial Statements

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NOTE 30 - EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected or may significantly affect in future years the Company's operations, the results of those operations or the state of affairs.

NOTE 31 - RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Profit/(loss) for the year	**(2,894)**	6,019	**(2,894)**	6,200
Depreciation and amortisation	**29,980**	9,540	**29,980**	9,540
Profit on sale of assets	**(1,078)**	(22,796)	**(1,078)**	(22,796)
Profit on sale of available for sale financial assets	**(9,993)**	-	**(9,993)**	-
Tax impact of deferred tax balances relating to reserves	**1,841**	(1,428)	**1,841**	(1,428)
Options revaluation	**59**	(59)	**59**	(59)
Unrealised (gain)/loss on derivative financial instruments	**(2,346)**	4,342	**(2,346)**	4,342
Realised gain on derivative financial instruments	**(4,342)**	-	**(4,342)**	-
Write down of exploration tenements	**135**	-	**135**	-
Write off of assets	**-**	109	**-**	109
Exploration expense	**5,609**	16,831	**5,609**	16,831
Share-based payments	**1,719**	996	**1,719**	996
Change in operating assets and liabilities:				
(Increase)/decrease in receivables and prepayments	**(1,303)**	(665)	**(1,303)**	(665)
(Increase)/decrease in inventories	**(2,632)**	(1,689)	**(2,632)**	(1,689)
(Increase)/decrease in other assets	**191**	(2,923)	**191**	(2,923)
Increase/(decrease) in trade creditors and payables	**8,929**	12,348	**8,929**	12,348
Increase/(decrease) in non-current provisions	**1,353**	(11,108)	**1,353**	(11,108)
Increase/(decrease) in other liabilities	**1,217**	1,220	**1,217**	1,220
Net cash flow from operating activities	**26,445**	10,737	**26,445**	10,918

Notes to the Financial Statements

NOTE 32 - NON CASH INVESTING AND FINANCING ACTIVITIES

	Consolidated		Parent entity	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Acquisition of vehicles and equipment through hire purchase or finance leases	**1,218**	644	**1,218**	644
Conversion of debt to equity(1)	**-**	6,667	**-**	6,667
Sale of assets for part equity consideration and assumption of liabilities(2)	**-**	28,700	**-**	28,700

(1) 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.

(2) 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.

NOTE 33 - EARNINGS PER SHARE

	Consolidated	
	2007	2006
	Cents	Cents
(a) Basic (loss)/earnings per share		
Profit /(loss)attributable to the ordinary equity holders of the Company	**(0.35)**	0.95
(b) Diluted (loss)/earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company	**(0.34)**	0.92

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

	Consolidated	
	2007	2006
	$'000	$'000
Basic and diluted earnings per share		
Profit/(loss) for the year	**(2,894)**	6,019

(d) Weighted average number of shares

	Consolidated	
	2007	2006
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**820,920,975**	633,472,702
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**844,073,859**	652,061,008

Notes to the Financial Statements

30 JUNE 2007

NOTE 33 - EARNINGS PER SHARE (CONT.)

(e) *Information concerning the classification of securities*

(i) Options

Executive Options and Options granted to employees under the St Barbara Limited Executive Option and Employee Option Plans 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 34.

(ii) Convertible Notes

On 4 June 2007, the Company issued $100,000,000 of convertible notes at a coupon rate of 8% payable 6 monthly in arrears. Unless previously redeemed, converted, or purchased and cancelled, the notes will be redeemed on 4 June 2012 at 100% of their principal amount. The convertible notes have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

NOTE 34 - 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. 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.

Mr Eshuys, the Managing Director and Chief Executive Officer, has been issued options under the Executive Option Plan.
Set out below are summaries of options granted to employees under the St Barbara Limited Employee Option Plan and Executive Option Plan approved by shareholders:

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
Consolidated and parent entity – 2007								
26-Apr-02	26-Apr-07	$0.3500	1,000,000	-	825,000	175,000	-	-
17-Jan-03	17-Jan-08	$0.3500	75,000	-	-	75,000	-	-
2-Dec-04	2-Dec-07	$0.0800	1,000,000	-	1,000,000	-	-	-
23-Dec-04	23-Dec-09	$0.0472	10,000,000	-	10,000,000	-	-	-
23-Dec-04	23-Dec-09	$0.1500	5,000,000	-	5,000,000	-	-	-
23-Dec-04	23-Dec-09	$0.1500	5,000,000	-	-	-	5,000,000(1)	-
23-Dec-04	23-Dec-09	$0.1500	5,000,000	-	-	-	5,000,000(2)	-
17-Jan-06	17-Jan-09	$0.4900	1,000,000	-	-	1,000,000	-	-
12-Sep-05	12-Sep-10	$0.2300	1,000,000	-	1,000,000	-	-	-
30-Sep-05	30-Sep-10	$0.3300	4,250,000	-	840,000	500,000	2,910,000	1,285,000
1-Jul-06	30-Jun-11	$0.5230	-	3,250,000	-	1,500,000	1,750,000	-
11-Sep-06	11-Sep-11	$0.5280	-	3,000,000	-	-	3,000,000	-
1-Dec-06	1-Dec-11	$0.5810	-	500,000	-	-	500,000	-
26-Mar-07	26-Mar-12	$0.5210	-	2,000,000	-	-	2,000,000(3)	-
Total			**33,325,000**	**8,750,000**	**18,665,000**	**3,250,000**	**20,160,000**	**1,285,000**
Weighted average exercise price			0.16	0.53	0.11	0.47	0.31	0.33

(1) Options vest on 14 September 2007 (2) Options vest on 14 September 2008 (3) 50% of options vest on 26 March 2009, 50% vest on 26 March 2010

Notes to the Financial Statements

30 JUNE 2007

NOTE 34 - SHARE BASED PAYMENTS (CONT.)

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
Consolidated and parent entity – 2006								
26-Apr-02	26-Apr-07	$0.3500	1,000,000	-	-	-	1,000,000	1,000,000
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	10,000,000	-	-	-	10,000,000	5,000,000
23-Dec-04	23-Dec-09	$0.1500	5,000,000	-	-	-	5,000,000	-
23-Dec-04	23-Dec-10	$0.1500	5,000,000	-	-	-	5,000,000	-
23-Dec-04	23-Dec-11	$0.1500	5,000,000	-	-	-	5,000,000	-
2-Aug-05	2-Aug-08	$0.1350	-	1,075,000	1,075,000	-	-	-
17-Jan-06	17-Jan-09	$0.4900	-	1,000,000	-	-	1,000,000	-
12-Sep-05	12-Sep-10	$0.2300	-	1,000,000	-	-	1,000,000	-
30-Sep-05	30-Sep-10	$0.3300	-	4,250,000	-	-	4,250,000	-
Total			**27,075,000**	**7,325,00**	**1,075,000**		**33,325,000**	**7,075,000**
Weighted average exercise price			0.12	0.31	0.14	0.00	0.16	0.16

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 year was 4.0 years (2006 – 3.9 years).

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2007 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 2007 included:

(a) Options are granted for no consideration, and 50% of each tranche vests after each of the first two anniversaries of the date of grant. As noted in the table above, the options issued on 26 March 2007 vest after each of the second and third anniversaries of the date of grant.

(b) Exercise price is ordinarily the closing market price on the grant date.

(c) Grant date varies with each issue.

(d) Expiry date is usually 5 years from grant date.

(e) Share price at grant date varies with each issue and ranged from $0.50 per share to $0.60.

(f) Price volatility of the Company's shares as at the grant date varied with each issue, and ranged from 101.6% to 103.0%.

(g) Risk-free interest rate at grant date is 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 year as part of the employee expenses were as follows:

	Consolidated		Parent entity	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Options issued under employee option plan	**1,719**	996	**1,719**	996

Notes to the Financial Statements

NOTE 35 - KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) *Directors*

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

S J C Wise	Chairman	
E Eshuys	Managing Director & CEO	
D W Bailey	Non-executive director	
B J Gibson	Non-executive director	Appointed 10 April 2007
P C Lockyer	Non-executive director	Appointed 19 December 2006
R Knight	Non-executive director	Retired 19 December 2006
H G Tuten	Non-executive director	
M K Wheatley	Non-executive director	Resigned 2 August 2006

(b) *Other key management personnel disclosures*

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

Ian Bird	Chief Operating Officer	Appointed 26 March 2007
Garth Campbell-Cowan	Chief Financial Officer	Appointed 11 September 2006
Ross Kennedy	General Manager Corporate Services/ Company Secretary	
Martin Reed	Acting Chief Operating Officer	Resigned 27 April 2007
Peter Thompson	General Manager Exploration	
George Viska	General Manager Gwalia Surface Development	

(c) *Key management personnel compensation*

	Consolidated		Parent entity	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Short term employee benefits	**2,515,790**	1,560,773	**2,515,790**	1,560,773
Post employment benefits	**98,723**	148,027	**98,723**	148,027
Long Service Leave	**42,593**	26,262	**42,593**	26,262
Share-based payments	**714,155**	509,033	**714,155**	509,033
	3,371,261	2,244,095	**3,371,261**	2,244,095

The Company has taken advantage of the relief provided by Corporations Regulations 2M.3.03 and 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found on pages 34 to 41

(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 C of the remuneration report on pages 39 to 40

Notes to the Financial Statements

NOTE 35 - 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 related parties, are set out below:

2007 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
Directors						
E Eshuys	25,000,000	-	15,000,000	-	10,000,000	-
Other key management personnel						
I Bird	-	2,000,000	-	-	2,000,000	-
G Campbell-Cowan	-	2,000,000	-	-	2,000,000	-
R Kennedy	1,000,000	-	1,000,000	-	-	-
M Reed	-	-	-	-	-	-
P Thompson	-	-	-	-	-	-
G Viska	-	-	-	-	-	-

2006 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
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
P Thompson	1,000,000	-	1,000,000	-	-	-
G Viska	-	1,000,000	1,000,000	-	-	-

(iii) Share holdings

The numbers of shares in the Company held during the year by each Director of St Barbara Limited and other key management personnel of the Group, including their related parties, are set out below. There were no shares granted during the year as compensation.

Notes to the Financial Statements

30 JUNE 2007

NOTE 35 - KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

2007

Name	Balance at the start of the year	Excercise of options	Other changes	Purchased	Sold	Balance at the end of the year
Directors						
S J C Wise(3)	3,681,709	-	-	117,694	-	3,799,403
E Eshuys	5,100,000	15,000,000	-	-	-	20,100,000
D W Bailey	100,000	-	-	-	-	100,000
B J Gibson	-	-	-	-	-	-
P C Lockyer	-	-	-	30,000	-	30,000
R Knight	2,505,095	-	(2,505,095)(1)	-	-	-
H G Tuten(2)	-	-	-	-	-	-
M K Wheatley	700,000	-	(700,000)(1)	-	-	-

(1) Derecognition of shareholdings due to resignation or retirement during the year.

(2) Mr Tuten has no relevant interest in fully paid ordinary shares of the Company. However, Mr Tuten is a partner in and member of the investment committee of RCF Management LLC ("RCF"), the management company of each of Resource Capital Fund II LP and Resource Capital Fund III LP, which are collectively St Barbara Limited's largest shareholder. Mr Tuten is also an investor in Resource Capital Fund II LP and Resource Capital Fund III.

(3) Subsequent to the year end, Mr Wise purchased 400,000 shares.

2007

Name	Balance at the start of the year	Excercise of options	Other changes	Purchased	Sold	Balance at the end of the year
Other key management personnel						
I Bird	-	-	-	-	-	-
G Campbell-Cowan	-	-	-	-	-	-
R Kennedy	20,000	1,000,000	-	-	200,000	820,000
M Reed	-	-	-	-	-	-
P Thompson	1,000,00	-	-	-	-	1,000,000
G Viska	500,000	-	-	-	-	500,000

2006

Name	Balance at the start of the year	Excercise of options	Other changes	Purchased	Sold	Balance at the end of the year
Directors						
S J C Wise	2,800,000	-	-	881,709	-	3,681,709
E Eshuys	1,250,000	10,000,000	-	-	6,150,000	5,100,000
D W Bailey	-	-	-	100,000	-	100,000
R Knight	-	-	-	2,505,095	-	2,505,095
H G Tuten	-	-	-	-	-	-
M K Wheatley	-	1,000,000	-	-	300,000	700,000
Other key management personnel						
R Kennedy	-	-	-	20,000	-	20,000
M Reed	-	-	-	-	-	-
P Thompson	-	1,000,000	-	-	-	1,000,000
G Viska	-	1,000,000	-	-	500,000	500,000

Directors' Declaration

30 JUNE 2007

In the Directors' opinion:

(a) the financial statements and notes set out on pages 43 to 90 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 2007 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 payable; and

(c) the audited remuneration disclosures set out on pages 43 to 41 of the Directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

Eduard Eshuys
Managing Director and Chief Executive Officer

Melbourne
29 August 2007

KPMG

Independent auditor's report to the members of St Barbara Limited

Report on the financial report and AASB 124 remuneration disclosures contained in the Directors' report

We have audited the accompanying financial report of St Barbara Limited (the Company), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 35 and the directors' declaration set out on pages 44 to 91 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 Related Party Disclosures, under the heading "Remuneration report" in sections A(ii), A(iii), A(iv), A(a), A(b), A(c), B(i), B(ii), C(i), C(ii), C(iii) and D of the Directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the Directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The Directors of the Company are also responsible for the remuneration disclosures contained in the Directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the Directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the Directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the Directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the Directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of St Barbara Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 1.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in sections A(ii), A(iii), A(iv), A(a), A(b), A(c), B(i), B(ii), C(i), C(ii), C(iii) and D of Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related party Disclosures.*

KPMG

KPMG

Michael Bray
Partner

Melbourne

29 August 2007

Details of Shareholders

AS AT 20 SEPTEMBER 2007

TWENTY LARGEST REGISTERED SHAREHOLDERS

		Shares Held	% of Total
1	ANZ Nominees Limited	136,943,769	16.37
2	National Nominees Limited	99,887,729	11.94
3	HSBC Custody Nominees (Australia) Limited	89,692,972	10.72
4	J P Morgan Nominees Australia Limited	85,186,505	10.18
5	Resource Capital Fund III LP	47,500,000	5.68
6	Resource Capital Fund II LP	31,162,230	3.73
7	Darley Pty Limited	20,000,000	2.39
8	Mr Eduard Eshuys	19,600,000	2.34
9	Citicorp Nominees Pty Limited	16,132,926	1.93
10	AMP Life Limited	15,044,376	1.80
11	Gee Nominees Pty Ltd	5,900,000	0.71
12	Northwest Accounting Pty Ltd	5,600,000	0.67
13	Citicorp Nomninees Pty Limited	4,354,321	0.52
14	HSBC Custody Nominees (Australia) Limited	4,169,437	0.50
15	UBS Wealth Management Australia Nominees Pty Ltd	3,999,000	0.48
16	Merrill Lynch (Australia) Nominees Pty Limited	3,577,721	0.43
17	Colin Wise Consulting Pty Ltd	3,300,000	0.39
18	Cogent Nominees Pty Limited	2,745,933	0.33
19	Perpetual Trustee Company Limited	2,662,095	0.32
20	Miroma Investment Inc	2,483,040	0.30

Substantial Shareholders	Shares Held	% of Total
Resource Capital Fund II LP	78,662,230	9.4
JPMorgan Chase & Co.	41,631,000	5.0

DISTRIBUTION OF SHAREHOLDINGS

Number Held	Number of Shareholders	Number of Shares
1 - 1,000	662	468,166
1,001 - 5,000	2,091	6,708,178
5,001 - 10,000	1,910	16,177,807
10,001 - 100,000	2,630	88,455,355
100,001 - and over	382	724,746,061
	7,675	836,555,567

The number of shareholders holding less than a marketable parcel was 672.

DIRECTORS' INTERESTS

As at the date of the Directors' Report, the direct 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	4,199,403
E Eshuys	20,934,466
D W Bailey	100,000
B J Gibson	-
P C Lockyer	30,000
H G Tuten	78,662,230

SHARE PRICE

The Company's shares were listed on the Australian Stock Exchange during the 2006/07 year. The closing share price on 30 June 2007 and on 20 September 2007 was 49 cents and 58 cents respectively.

ANNOUNCEMENTS

The Company makes both statutory announcements (activities or quarterly reports, financial reports, changes to Director's interests) 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 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:

Level 21, 90 Collins Street
Melbourne VIC 3000
Telephone: +61 3 8660 1900
Facsimile: +61 3 8660 1999
E-mail: melbourne@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:

Computershare Limited
GPO Box 2975
Melbourne VIC 3001
Telephone: +1300 653 935
+61 3 9415 4356
Facsimile: +61 3 9415 2500

Corporate Directory

Board of Directors

Colin Wise	(Non-Executive Chairman)
Eduard Eshuys	(Managing Director and CEO)
Douglas Bailey	(Non-Executive Director)
Barbara Gibson	(Non-Executive Director)
Phillip Lockyer	(Non-Executive Director)
Hank Tuten	(Non-Executive Director)

Company Secretary
Ross Kennedy

Registered Office
Level 21, 90 Collins Street
Melbourne VIC 3000

Telephone: +61 3 8660 1900
Facsimile: +61 3 8660 1999
E-mail: melbourne@stbarbara.com.au
Web site: www.stbarbara.com.au

Share Registry
Computershare Limited
GPO Box 2975
Melbourne VIC 3001

Telephone: +1300 653 935
+61 3 9415 4356
Facsimile: +61 3 9415 2500

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

Auditor
KPMG
147 Collins Street, Melbourne VIC 3000

Solicitor
Freehills
QV1 Building
250 St George's Terrace, Perth WA 6000

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

Convertible notes are listed on Singapore Exchange Securities Trading Limited

Australian Business Number
ABN 36 009 165 066

Concept, design and production Max.Creative. www.maxcreative.com.au www.stbarbara.com.au

St Barbara Limited

Annual Report 2007