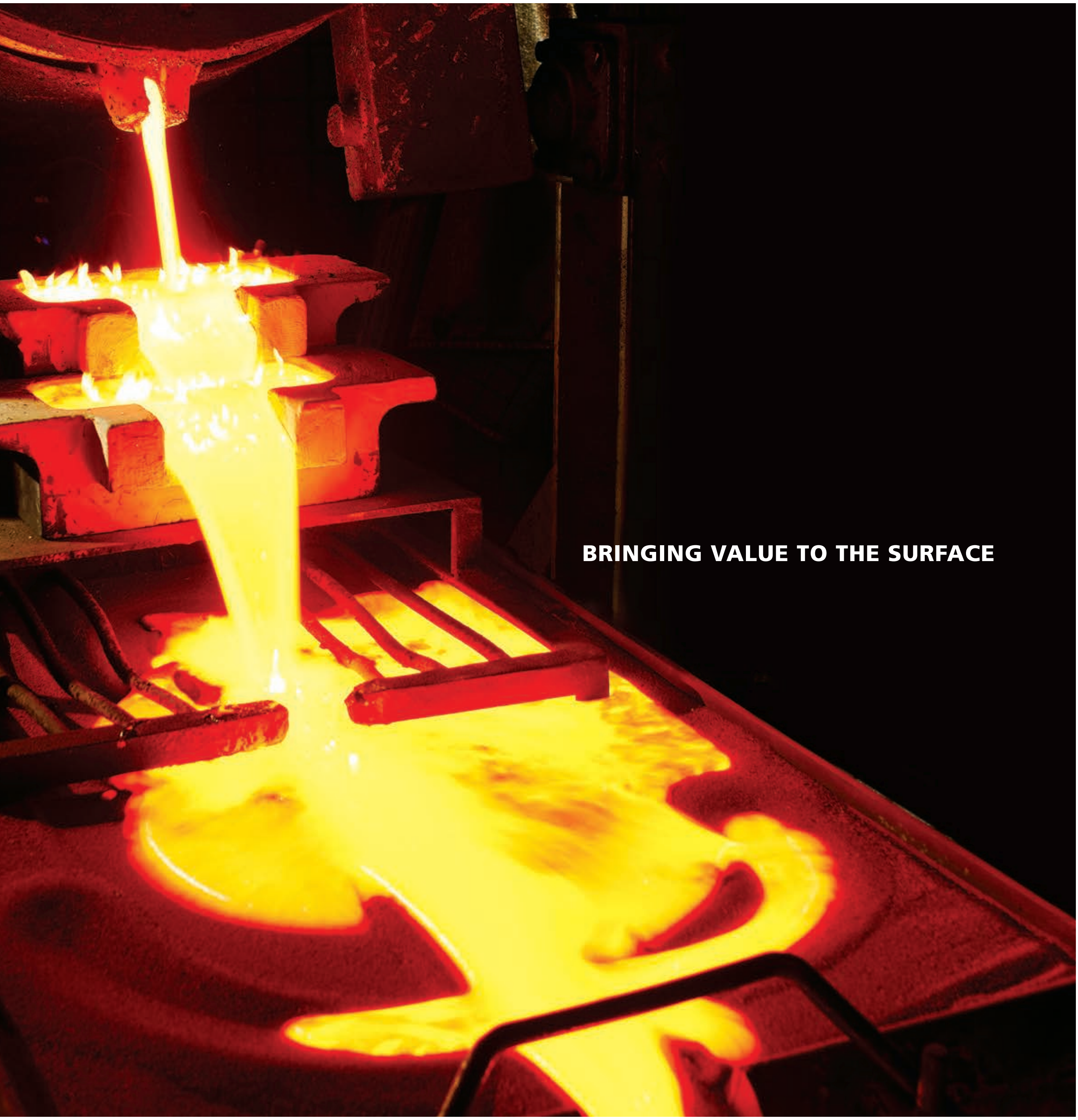
St Barbara
LIMITED
ANNUAL REPORT 2009



Vision statement

To be a successful and growing Australian gold company.

Our foundations are underpinned by:

- Safe production
- Environmental sustainability
- Beneficial relations with the communities to which we belong
- Respect for the rights and aspirations of our people
- Ethical business dealings

Successful and growing means:

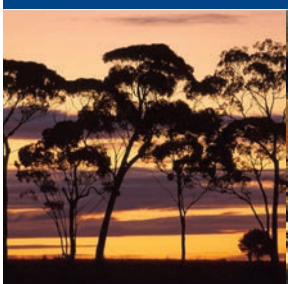
- Superior shareholder returns
- Reliably delivering on promises
- Continuous improvement and innovation
- Long-life, high margin assets
- A tangible growth profile
- Risks being always well managed
- Safe, capable and committed workforce

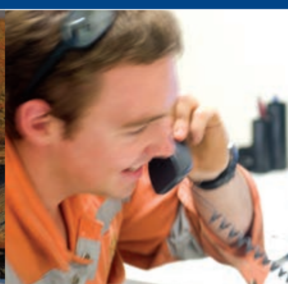
Values statement

- we act with honesty and integrity
- we treat people with respect
- we work together
- we deliver to promise
- we strive to do better

CONTENTS

St Barbara Limited ABN 36 009 165 066





ST BARBARA

St Barbara has established foundations to be a successful Australian gold company:

- Focussing on superior shareholder returns
- Embedding a culture that delivers reliably on promises
- Currently two gold production operations producing in aggregate over 200,000 ounces per annum
- Resources of 9.4 million ounces, Reserves of 2.6 million ounces
- Tangible growth profile with projects under evaluation
- Large land bank with significant exploration potential
- A focus on establishing long-life, high margin assets
- Aspiring to grow to a mid-tier company with annual production of over 500,000 ounces of gold from three operations by 2014
- Having a safe, capable and committed workforce

HIGHLIGHTS FOR FISCAL YEAR 2009

PRODUCTION

- Produced 238,900 ounces (oz) gold; 52% higher than 2008
- Successfully commissioned the high grade, long life Gwalia mine in October 2008 and produced 62,272 oz
- Marvel Loch Underground produced a record 1 million tonnes of ore
- Operational performance and reliability improving
- Generated an EBITDA of $52.4 million (excluding Significant Items)

EXPLORATION

- Tested for high grade resources at Southern Cross
- Developed new targets at Leonora and Southern Cross

STRATEGIC

- Completed strategic review and three year plan
- Strengthened the culture of Company personnel
- Started a number of cost reduction programs
- Improved energy and water efficiency
- Developed environmental management systems

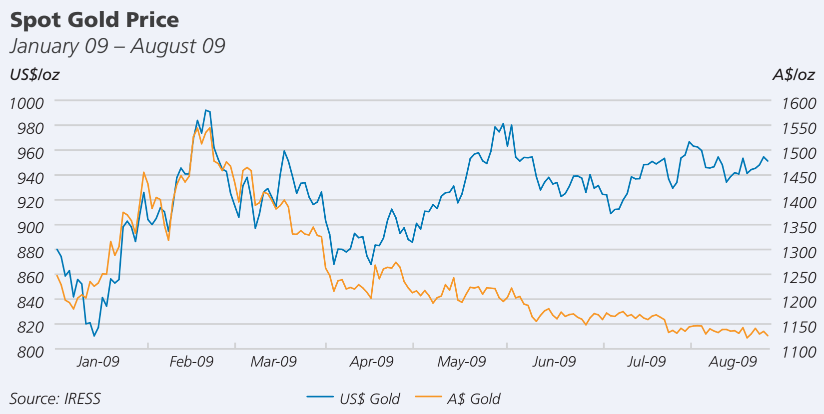
OBJECTIVES FOR 2010

- Reliably deliver the forecast gold production range of 205,000 to 240,000 oz
- Drive the development of Gwalia to the deeper, higher grade areas of the mine
- Reduce cash operating costs to within or below the range of $745 to $820/oz
- Continue the improvement in safety performance
- Strengthen the Company's financial position

52%

INCREASE IN PRODUCTION OF GOLD FROM 2008

CHAIRMAN'S REPORT



The highlight of the year was the successful commissioning of the Gwalia Gold Mine at Leonora in W.A., in October 2008. This was a significant milestone in the development of St Barbara as a mid-tier Australian gold producer and represented the culmination of over four years of planning and development. Gwalia is our cornerstone asset with a mine life exceeding nine years and high grade mineralisation below the current reserves, which remain open at depth.

The recent global financial crisis triggered a dramatic fall in world equity markets after sustained growth for many years. While it is pleasing to see some stability returning to the markets, local debt markets remain hesitant to lend to emerging resources companies. Trying to establish an adequate working capital facility during the past year was an onerous task.

The US dollar gold price also fluctuated significantly throughout the year in conjunction with high volatility in the Australian/US dollar exchange rate. The Australian dollar gold price is critical for St Barbara. We are an Australian producer and all our gold sales are in Australian dollars.

The Company's convertible notes and our fluctuating share price have been under close review over the past year. The put option available to note holders on 4 June 2010 allows them to redeem their notes on that day, ahead of the scheduled maturity date on 4 June 2012.

An investment bank was engaged to negotiate with a number of the larger note holders to ascertain if the put option might be waived or removed. The terms identified would have required a significant transfer of value from shareholders to note holders, and the Board decided not to pursue such an outcome.

The establishment in August this year of a $50 million equity line standby facility provides a source of additional cash if required, to support the potential early redemption of the notes. The Company now has more time to better evaluate and negotiate other longer term funding sources.

St Barbara endorses the Western Australian Government's decision to defer plans to significantly increase environmental bond rehabilitation rates for mining tenements in W.A. The increase would have created additional financial pressures for St Barbara and most small to mid-cap resources companies, at a crucial time in tight financial circumstances.

Last March, Tim Lehany was installed as the new Managing Director and CEO of St Barbara, following the Board's review in 2008 of its succession planning strategy. Tim brings to St Barbara many years of experience and expertise in hard rock underground mining. He has already introduced improvements to the Company's operating systems and procedures which are now enabling us to deliver in line with forecast production guidance.

Tim and his executive leadership team recently completed an extensive strategic review, which has been fully endorsed by the Board. The new three year plan, while adopting a lower production profile than investors may have been anticipating, is robust and deliverable, and provides an excellent platform for growth under Tim's leadership.

July 2009 marked the fifth anniversary of Ed Eshuys and I joining the St Barbara Board. At the time, the Company's market capitalisation was just $32 million. Ed's vision for the Company, and especially his driving the decision to buy the Sons of Gwalia gold assets in March 2005 and develop the Gwalia mine have been transformational.

On behalf of the Board, I express appreciation to all employees and the management team for their loyalty and hard work during what has been a difficult year.

I thank all shareholders for their patience and support during a year of overall disappointing share price performance. As a sizable shareholder myself, I look forward to the future with renewed confidence.

COLIN WISE
CHAIRMAN
23 September 2009

CEO'S REPORT

The 2010 fiscal year will focus on improving operational capabilities, reinvesting operating cash flows to drive the Gwalia decline deeper, and progressing opportunities to grow gold production with a lower cost profile.

Introduction

I am delighted to have been appointed Managing Director and CEO of St Barbara Limited.

The Company is now a significant Australian gold producer with solid foundations for growth with:

- Good operating assets;
- Resources and Reserves to underpin our plans; and
- A prospective land bank with real organic growth potential.

The Gwalia mine at Leonora, W.A., is the Company's cornerstone asset. It is a high quality operation that will underpin long term cash flows for the Company.

Strategy

We have completed a comprehensive operational and strategic review of St Barbara's operations, asset portfolio, organisational capability and financial requirements.

A key outcome of the review is a much stronger emphasis on lower-cost, higher-margin gold production. A solid Three Year Plan based substantially on reserves underpins our new strategy.

We will continue to build on our key strengths:

- The high grade, long term Gwalia mine at Leonora which is open at depth;
- Two years of reserves at the Marvel Loch Underground mine at Southern Cross and the expectation for further conversion of resources to reserves;
- Operating expertise in all aspects of gold mine development and production, particularly underground mining;
- Available treatment plant capacity in well-endowed gold provinces; and
- Prospectivity of our land bank including identified brown field and green field exploration targets.

Our strategy will be implemented in two stages.

Stage one will run through fiscal year 2010, and will focus on:

- Accelerating the development of the Gwalia mine to access richer and wider parts of the deposit at depth;
- Improving operating performance through an overhaul of operating systems and processes;
- Maintaining the Company's core exploration capability and land bank;
- Divestment of non-core assets; and
- Continuing to assess value accretive growth opportunities.

Stage two commences post fiscal year 2010, during which the Company will:

- Leverage strong cash flows generated in fiscal years 2011 and 2012 to pursue growth with the target of becoming a strong mid-tier gold producer operating a number of high margin mines; and
- maintain a strong emphasis on organic growth through exploration.

The Gwalia mine reaches scheduled full production rates in fiscal year 2012 when wider parts of the deposit are accessed at depth and the head grade lifts to 11g/t. Achieving full production at Gwalia will help re-position St Barbara as a lower cost gold producer.

St Barbara's foundations for growth will be strengthened by improved operational capability and growing cash flows, placing the Company in a position to pursue growth through corporate activity and, in the longer term, through exploration success. The Company now has an aspirational strategic target of reaching an annual production rate of over 500,000 ounces of gold per annum from three operations by 2014.

Achievements

The 2009 fiscal year has been a challenging year for the Company, with some important outcomes achieved.

Foremost among these was the successful commissioning of the Gwalia mine in October 2008. This was a large, complex undertaking that included:

- Total refurbishment of the existing 1.2 million tonne per annum processing plant which was originally built in the 1980's;
- Developing the mine to a vertical depth of 1 kilometre below surface to access the first ore from Gwalia Deeps; and
- Construction of new surface infrastructure for power, ventilation and cooling of the underground mine.

Gwalia is expected to generate strong cash flows from fiscal year 2011 onwards and be a first quartile Australian cash cost gold producer when the mine reaches full production in fiscal year 2012.

Marvel Loch Underground mine at Southern Cross, W.A. produced more than one million tonnes of underground ore for the 2009 fiscal year which was a record for the site.

The combination of these achievements saw St Barbara's gold production climb 52% year on year.

The 2009 fiscal year also saw a great improvement in the Company's safety culture, driven by strong on-site leadership, resulting in a reduction in the Classified Injury Frequency Rate by 63% over the year from 16 to 6. By this measure, St Barbara's safety performance is now better than the W.A. Gold Mining Industry average for 2007/08 of 10.8. I am pleased to report that the Company has a solid safety ethic, and one that will continue to drive down injury rates in our workplaces.

Exploration focused on proving up potential sources of ore in proximity to the Company's two operating processing plants. The evaluation and understanding of Tower Hill at Leonora and Nevoria at Southern Cross have been advanced with the feasibility assessments planned to be released in the coming months.

The Company's shareholding in Bendigo Mining Limited was sold for $9.9 million in early August 2009.

Culture People and Community

The Values of the Company, as set out on the inside front cover of this Report will underpin the St Barbara culture going forward.

Unfortunately there have been a number of redundancies during the last twelve months as a consequence of overhead reductions, ceasing open pit mining at both Leonora and Southern Cross, and implementing campaign milling. Company staffing levels are now leaner and fit for purpose.

We continue to have close links to the communities in which we work and the indigenous communities with whom we interact, to ensure that our activities are conducted in a responsible and mutually beneficial manner.

Financing

The Company has sufficient funds to meet its operating and capital expenditure requirements for the current year. We recently announced the establishment of a $50 million equity line standby facility, which is a potential source of funds to finance the possible early redemption of Convertible Notes on 4 June 2010.

Strong cash flows are anticipated from the Gwalia mine in particular from the 2011 fiscal year onwards. This will underpin an expansion in exploration expenditure on focused targets and provide leverage for growth through acquisition.

TIM LEHANY
MANAGING DIRECTOR & CEO
23 September 2009

'I look forward to working with everyone employed in the Company, both directly by St Barbara and by our Contractors, to deliver on our promise of 205,000-240,000 ounces for the 2010 fiscal year increasing to 300,000 to 340,000 ounces in fiscal year 2012. This will deliver value to our shareholders, employees and communities.'

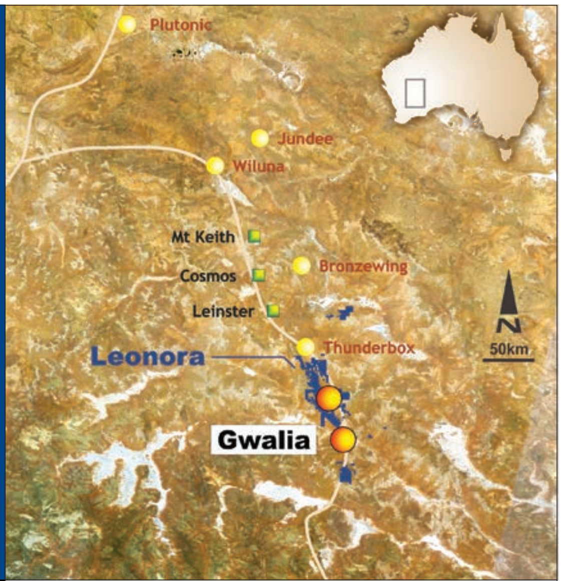
TIM LEHANY MANAGING DIRECTOR & CEO

63%

REDUCTION IN THE CLASSIFIED INJURY FREQUENCY RATE

OPERATIONS
LEONORA

- Gwalia mine commissioned in October 2008 after almost three years in development
- Production forecast to grow to 190,000-210,000 oz per annum over the next three years
- Reserves support at least a nine year life
- Gwalia is forecast to be a first quartile cash cost producer from fiscal year 2012 onwards with cash operating costs of $445-500/oz
- Focus in fiscal year 2010 is to develop Hoover Decline to access the deeper, wider and higher grade sections of the ore body



Leonora

The Leonora Operation is located 200 kilometres north of Kalgoorlie. Gwalia is a world-class orebody, with historical production and current resources exceeding 7.7 million ounces of gold and is expected to be a long term source of strong cash flows after fiscal year 2010.

After almost three years of hard work by employees and contractors, gold production commenced in October 2008. Based on ore reserves of 1.6 million ounces as at June 2009, Gwalia has an estimated mine life in excess of nine years.

Development activities during the year included:

- The Hoover Decline reached 1,180 metres below surface;
- The first stopes were mined successfully and paste filled;
- The 1.2 million tonne capacity processing plant was comprehensively refurbished and commissioned; and
- Infrastructure projects to support the long life mine including paste fill plant, refrigeration plant and gas fired power station, were all commissioned successfully.

The Gwalia underground mine produced 62,272 ounces of gold for the nine months to 30 June 2009. Production grew steadily as higher grade stopes were commissioned, and June saw the highest monthly ore production for the year. The geotechnical conditions have continued to behave at the low end of expected ranges.

Leonora

		2008/09
Open Pit Ore Mined	t	372,206
Grade	g/t	1.3
Underground Ore Mined	t	304,544
Grade	g/t	6.9
Ore Milled	t	835,843
Grade	g/t	3.3
Recovery	%	94
Gold Production	oz	82,795
Cash Operating Cost[1]	A$/oz	719

(1) Before significant items

Open pit production of 18,523 oz was sourced from Trump during the year. The returns from this operation did not meet expectations and production ceased in January 2009. "Ore Milled" also included mineralised waste, and stockpiles from the previous year. All potential future open pit sources are undergoing a rigorous re-evaluation.

Cash operating costs for the year were $719 per ounce. This included the higher cost, open cut production. In May and June, operating costs from Gwalia Underground were $434 per ounce, indicating the potential for low cost operations once the mine reaches the deeper, high grade section of the orebody.

Development of the Hoover Decline will be the focus in fiscal 2010 to gain access later in the year to the important South West Branch lode that comprises the higher grade and thicker parts of the orebody.

The total capital expenditure at the Gwalia mine in 2009 was $102 million, while $55-60 million has been budgeted for the 2010 fiscal year to further accelerate underground development to reach the higher grade South West Branch.

Outlook

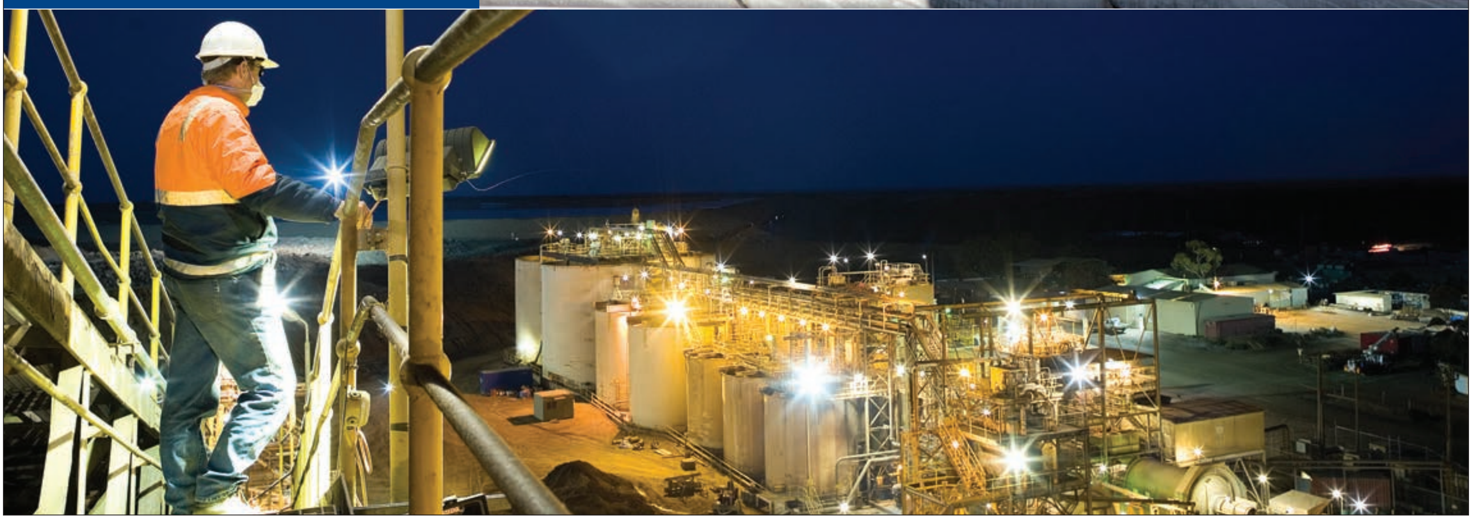
The Gwalia mine is forecast to achieve an annual gold production rate of 95,000 to 110,000 ounces for fiscal year 2010, reaching 190,000 to 210,000 ounces of annual production by fiscal year 2012.

The plant at Gwalia continues to operate on a campaign basis, one week on, one week off. The Company is assessing the potential to source ore from third parties in the region. Higher plant utilisation offers the potential to generate greater cash flow and profit and lower the unit cost of gold production.

Tower Hill has underground reserves as at 30 June 2009 of 2.2 million tonnes @ 4.7 g/t for 338,000 ounces with an ore body that dips moderately at 35-50 degrees and has variable ground conditions in the ultramafic hanging wall. Detailed studies involving a combination of open stoping, and cut and fill mining are currently being undertaken. This mine engineering evaluation work, including geotechnical studies, is planned to be completed by the end of September 2009. Production from Tower Hill will be included in future plans, if and when a robust business case is proved.

OPERATIONS CONTINUED
SOUTHERN CROSS

- Marvel Loch Underground delivered a record 1 million tonnes ore in fiscal year 2009
- Production for the year was 156,105 ounces
- Medium term focus will be on higher grade underground ore
- A number of prospects for higher grade, higher margin ore are being evaluated including Nevoria



Southern Cross

		2008/09	2007/08
Open Pit Ore Mined	t	1,119,997	1,593,797
Grade	g/t	1.9	1.7
Underground Ore Mined	t	1,003,202	900,049
Grade	g/t	3.8	3.7
Ore Milled	t	2,233,367	2,231,237
Grade	g/t	2.5	2.5
Recovery	%	88	88
Gold Production	oz	156,105	157,477
Cash Operating Cost(1)	A$/oz	888	555

(1) Before significant items

Southern Cross Operations are centred at Marvel Loch, 30km south of the town of Southern Cross and 360km east of Perth, Western Australia. The Southern Cross region has an endowment including past production and current resources of approximately 12 million ounces and is predominantly held by St Barbara. Four deposits in the district have each produced more than 1 million ounces. Mineralisation is hosted within shear zones at basalt-sediment contacts and within banded iron formations.

The gold treatment plant is located adjacent to the Marvel Loch Underground mine. The treatment plant processed just over 2.2 million tonnes in the 2009 fiscal year at a grade of 2.5 g/t. Throughput was in line with expectation. Gold production for the full year was lower than expected mainly due to the lower than forecast gold grades from open pit ore. Following a strategic review, all open pit operations have ceased.

The Marvel Loch Underground mine is the planned source of ore for fiscal year 2010 and the processing plant is now run on a campaign basis, operating for one week on, one week off. Further capital has been allocated in the 2010 plan for refurbishment of the processing facility with emphasis on the leach and adsorption tanks, the crushing circuit and tailings storage facility.

Marvel Loch Underground

Gold mineralisation extends over a 1.3 kilometre strike length, has been identified to depths of over 800 metres below surface and remains open at depth. High-grade mineralisation is localised in quartz-veined shear zones near a mafic/ultramafic sediment interface. The ore body comprises multiple lodes. Those currently being mined include:

- Sherwood and Undaunted at the northern end;
- Exhibition at the centre; and
- East and New at the southern end.

Open Pit Production

Open pit production for the 2009 fiscal year was sourced from a number of small open pits at GVG and Nevoria. Just over 1.1 million tonnes were mined during the year and although anticipated to be profitable, it proved more difficult to achieve the forecast grade of ore. As a result of the strategic review in the June quarter, it was decided to cease open pit mining at Southern Cross. There currently are no plans to recommence open pit mining although a number of higher grade prospects are being evaluated for the future.

Outlook

The focus of exploration and development at Southern Cross has shifted towards the higher-grade Marvel Loch Underground to maximise gold production on a campaign milling basis. Underground mine production for fiscal year 2010 will be 0.9 million tonnes.

A number of other targets, including Nevoria underground, Edwards Find and others continue to be evaluated, but will only be developed when robust technical and financial evaluations indicate satisfactory returns are achievable. Southern Cross production is forecast to be in the range of 110,000 to 130,000 ounces of gold for the 2010 fiscal year at a cash operating cost in the range of $840-930 per ounce.

EXPLORATION

Drilling established high grade resources at Jaccoletti and Ruapehu.

Programs will evaluate a range of strategic targets, covering:

- Extensional underground drill targets in the Gwalia and Marvel Loch Underground mines;
- Past sources of high-grade production in the Leonora and Southern Cross districts; and
- Emerging targets defined from new structural, geochemical and alteration studies.

Exploration is focused on identifying high-grade resources to supplement existing underground production at the Company's operations.

Extensional Drilling

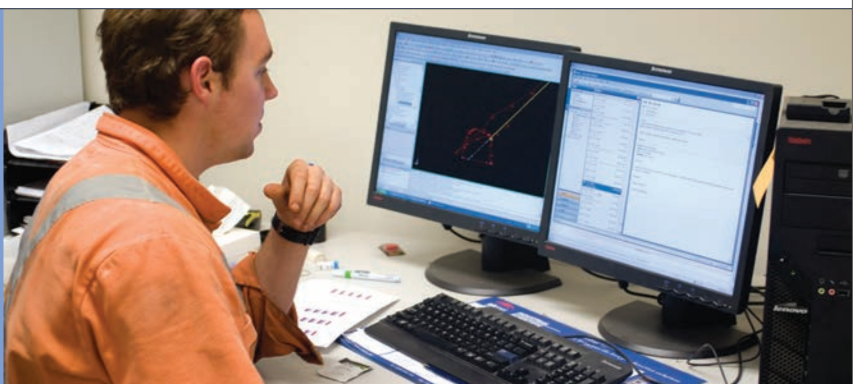
Budgets have been structured to allow a greater emphasis on extensional underground drilling in addition to grade control drilling in the immediate mine environments. At Gwalia, extensional programs will follow-up the positive results reported in the March 2009 Quarter from the South West Branch which are not included in current reserves (5.9m @ 11.5g/t from 1051mbs, 4.9m @ 11.6g/t from 1045mbs). Some reconnaissance drilling of the Hangingwall Lode will also be undertaken. The Hangingwall Lode – which was not targeted by the Gwalia Deeps surface drilling program – was mined historically at grades of ~7g/t and is open beneath 980 metres below surface.

At Marvel Loch, geological modelling has identified a range of targets, some in newly defined lode positions (Main Lode; Mazza Lode) and others based on conceptual studies. Extensional drilling will be prioritised on the new lode positions which are close to existing underground mine infrastructure and may offer additional sources of production adjacent to established reserves.

Southern Cross

At Southern Cross, surface drilling established new high grade underground resources at Ruapehu, located 2km from the Southern Cross township, and Jaccoletti, located 1.5km from the Marvel Loch Underground Mine. An open pit resource was established at Edwards Find, located 15km south east from Marvel Loch.

Sources of past production including the Cornishman, Frasers, Corinthian and Copperhead mines are yet to be fully evaluated for depth extensions. The Frasers and Copperhead mines have been sources of significant past production in the belt, with in excess of 1.5M oz produced in aggregate from open cut and underground operations. Full collation of historical records will be conducted to establish JORC-compliant resources on these projects from existing drill data.



The Nevoria resource remains in the final stages of evaluation to better constrain the structural controls on the high-grade lodes and the grade distribution through the orebody. Potential exists to extend the Nevoria resource down plunge, with intersections open at depth beneath the Silver Lode including 16.8m @ 27.6g/t from 193mbs and 9.3m @ 49g/t from 138mbs (down-hole widths).

The objective for Southern Cross exploration is to establish a minimum five year mine life, with Marvel Loch Underground a cornerstone part of the plan supplemented by other sources of high-grade production.

Leonora

At Tower Hill, further drilling was conducted to better define the high-grade lodes and gather additional geotechnical data to finalise mining studies. In the broader Leonora District, a program was initiated to map alteration signatures associated with gold mineralisation using a TerraSpec mineral analyser. This technology allows rapid, low-cost evaluation of existing drill spoils, highlighting targets associated with strong alteration gradients. Combined with structural, geophysical and geochemical studies, this program has prioritised a number of targets for follow-up work close to the Gwalia mill.

At Leonora Operations, the exploration objective is to complement the planned mine life at Gwalia of more than nine years with high-grade reserves additional to those at Tower Hill.

ENVIRONMENT, SAFETY AND SOCIAL RESPONSIBILITY

The practical implementation of the Company's vision of 'safe production' has seen a substantial fall in injuries on a range of measures.

Health and Safety

The focus for health and safety has been the promotion of behavioural change with an emphasis on hazard and risk identification, and management. This approach has been effective with a reduction in safety incidents during the year. The vision for safety at the Company's sites is 'safe production' where no job is carried out in a manner which might result in harm to an individual. This vision of 'safe production' is designed to lead to the ultimate goal of reducing and eliminating all injuries.

The Lost Time Injury Frequency Rate (LTIFR) fell to 1.45 (2008: 4.5). The Classified Injury Frequency Rate fell from 16 to 6 by year's end,compared to the W.A. Gold Mining Industry average for 2007/08 of 10.8.

The improving safety performance has also reflected the efforts of site management teams to maintain a high visibility in the workplace. Time in the field is one measure that is used to track the efforts of the leadership team to be visible and proactively lead by example.

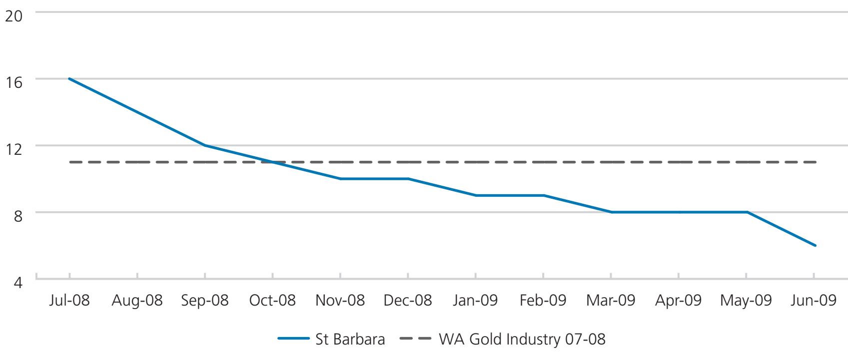
Training is an important aspect of providing a safe workplace and there are ongoing programs to train the workforce in hazard identification, risk assessment, incident investigation, emergency response, first aid and other related programs. The Company has implemented a system to record health and safety training and to automatically flag when re-training or renewal is due. This system will ensure there is a high level of compliance with all of the Company's training requirements.

Social Responsibility

Underpinning St Barbara's Vision is a key principle of building beneficial relationships with the communities with which we interact. The Company acknowledges the traditional landholders in the areas in which we operate as well as the local communities where we live and work.

St Barbara holds a number of Indigenous Liaison meetings each year with representatives of the traditional landholders. These meetings allow the Company to update the representatives as well as discussing developments and opportunities.

St Barbara Classified Injury Frequency Rate
July 08 – June 09



St Barbara's managers at Leonora and Southern Cross regularly brief the respective Shires and local business communities on the Company's activities. A number of the events in the districts are supported by the Company through sponsorship and participation.

Environment

The Company continues to focus on water conservation and alternative sources of supply at both Southern Cross and Leonora. High quality water use is monitored closely with successful reductions in its consumption. In the case of Southern Cross, a concerted effort led to a reduction of potable water consumption in excess of 40,000 litres per day. Another example is the use of process water, recycled from the gold processing circuit, to replace potable water in the cyanide sparging process, resulting in a saving of at least 100,000 litres every four to five days.

The Company completed its Energy Efficiency Opportunities assessment at Southern Cross and the key findings are summarised in a report that is available on the SBM website. The Company has followed up the assessment with a number of initiatives that have already provided energy savings. The energy assessment for Leonora is planned for early 2010.

An environmentally sustainable mining accommodation village constructed at Leonora last year, was awarded a Certificate of Merit in the 2009 Golden Gecko Awards sponsored by the W.A. Department of Mines and Petroleum (www.dmp.wa.gov.au/goldengecko). The Golden Gecko Awards recognise excellence and leadership, and acknowledge outstanding contributions made in environmental performance. These are highly respected by the resources sector in Western Australia because of the rigorous assessment process.

St Barbara has commenced the development of a company-wide Environmental Management System, conforming to the ISO1400 series standards for Environmental Management Systems, which will facilitate the continuous improvement of the Company's environmental management performance.

Rehabilitation

This year's rehabilitation program predominantly focused on legacy areas. At the Leonora Operations, rehabilitation was undertaken at the Harbour Lights and Tarmoola sites. Work at Harbour Lights focused on improving the stability of the decommissioned tailings storage facility with addition of stable capping material and additional profiling and ripping of the landform. Profiling and ripping was also undertaken on landforms and hardstand areas which had not been rehabilitated in the past.

Approximately 85 hectares of a decommissioned tailings storage facility were rehabilitated at Tarmoola. Works undertaken included final capping of the facility and contouring the landform to improve stability. Remaining work to be completed in the coming year includes top-soiling and seeding of the tailings storage facility. As a result of the rehabilitation work completed, a significant environmental bond reduction has been achieved for the Leonora Operations.

St Barbara continued to integrate current surface mining projects with rehabilitation of legacy sites at Southern Cross Operations. Areas targeted were the Nevoria and GVG sites due to ongoing surface mining projects in these areas. Existing, partially rehabilitated areas, and landforms from legacy mining at Nevoria were rehabilitated from waste rock mined the Norton open pit. Final rehabilitation works, including profiling and seeding, were subsequently undertaken on these landforms following the completion of mining at Norton. Work also continued on capping, profiling and top-soiling the GVG tailings storage facility with materials generated from surface mining projects in the surrounding area.

ORE RESERVES & MINERAL RESOURCES STATEMENTS

Summary

St Barbara Limited Ore Reserves as at 30 June 2009 were 13.9 million tonnes at 5.8 grams per tonne of gold containing 2.6 million ounces of gold (2008: 19.3 million tonnes @ 5.0 g/t for 3.1 million ounces). The gold price assumed in Ore Reserve calculations was $1,075 per ounce for fiscal year 2010 production and $850 per ounce thereafter (fiscal year 2009 production: $950 per ounce and $800 per ounce thereafter).

St Barbara Limited Mineral Resources including Ore Reserves at 30 June 2009 were 102.7 million tonnes @ 2.9 g/t for 9.5 million ounces of gold (2008: 126.6 million tonnes @ 2.6 g/t for 10.6 million ounces).

Ore Reserve Statement

Ore Reserves have been estimated having regard to:

- The Company's strategic focus on higher margin ore sources;
- The cost impact of reverting to campaign milling at both Leonora and Southern Cross Operations; and
- Improved geological interpretations from grade control drilling.

As a consequence:

- Reserves underground at Tower Hill have increased by 15 koz ('thousands of ounces of gold');
- At Marvel Loch Underground the cut-off grade has increased and the number of ounces has reduced but the overall grade has increased to 3.8 g/t (2008: 3.2 g/t); and
- Ore Reserves for open pits at Kailis, Leonora (2008: 67 koz) and Aquarius at Transvaal, Southern Cross (2008: 38 koz) have been removed.

Analysis of movement

		k oz
	• Reserves at 30 June 2008	3,065
Add	• Increase through improved interpretation	17
Less	• Depletion through ore production	(297)
	• Uneconomic open pits	(105)
	• Interpretation and design changes (incorporating higher cut-off grades)	(106)
	Reserves at 30 June 2009	2,574

Table 1: Ore Reserve Statement at June 2009

	Proved			Probable			Total		
Region	**kT**	**g/t**	**k oz**	**kT**	**g/t**	**k oz**	**kT**	**g/t**	**k oz**
Southern Cross									
Marvel Loch	470	3.7	56	1,810	3.8	221	2,280	3.8	277
Nevoria West				500	3.0	48	500	2.9	48
Nevoria Underground				1,790	3.7	210	1,790	3.7	210
Other	320	2.5	26	1,130	0.8	30	1,450	1.2	56
Total Southern Cross	**790**	**3.3**	**82**	**5,230**	**3.0**	**509**	**6,020**	**3.1**	**591**
Leonora									
Gwalia Deeps				5,630	9.1	1,640	5,630	9.1	1,643
Tower Hill				2,240	4.7	338	2,240	4.7	338
Other				30	1.8	2	30	1.8	2
Total Leonora				**7,900**	**7.8**	**1,980**	**7,900**	**7.8**	**1,983**
Total All Regions	**790**	**3.3**	**82**	**13,130**	**5.9**	**2,489**	**13,920**	**5.8**	**2,574**

Notes – General:
1. These Reserves have been compiled and estimated under the direction of Mr Peter Fairfield and Mr Jacobus Kirsten.
2. The Ore Reserves estimates used a gold price of $1075/oz for forecast FY10 production and $850/oz for ounces to be mined thereafter.
3. All numbers have been rounded to tonnes (10,000) and ounces (1,000): this may result in some rounding discrepancies.
4. "Other" relates to surface stockpiles valued at $1075/oz.

Competent Persons Statement

References to Ore Reserves presented in this document have been produced in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves, December 2004 (JORC Code) under the supervision of Mr Peter Fairfield and Mr Jacobus Kirsten. Mr Fairfield and Mr Kirsten are Members of the Australasian Institute of Mining and Metallurgy and full time employees of the Company. Mr Fairfield and Mr Kirsten 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 JORC Code. Mr Fairfield and Mr Kirsten consent to the inclusion in this document of the matters based on their information in the form and context in which it appears.

Mineral Resource Statement

Significant additional Mineral Resources have been established at Jaccoletti, Ruapehu and at Edwards Find (+220 loz). Changes to the open pit mining and ore processing cost models for both Southern Cross and Leonora have resulted in an associated increase in marginal cut-off grades. This has impacted significantly on resources for the Kailis, Tower Hill and GVG-South Burbidge projects, all of which have a substantial component of low grade mineralisation. The Tower Hill Mineral Resource reduced by 606k oz.

Changes to cut off grades have contributed to the increase in the overall Mineral Resource grade from 2.6 g/t to 2.9 g/t. All other significant changes to Mineral Resources resulted from mining depletion and re-evaluation of Mineral Resources within updated $1,200/oz open pit optimisation shells.

Table 2: Mineral Resource Statement at 30 June 2009

	Measured			Indicated			Inferred			Total		
Region/Project	**Tonnes (k)**	**Au g/t**	**k oz**	**Tonnes (k)**	**Au g/t**	**k oz**	**Tonnes (k)**	**Au g/t**	**k oz**	**Tonnes (k)**	**Au g/t**	**k oz**
Southern Cross												
Marvel Loch	740	4.5	108	3,190	4.4	451	950	3.7	113	4,880	4.3	672
Nevoria	0	0.0	0	3,520	3.8	426	560	4.1	74	4,080	3.8	500
Transvaal	0	0.0	0	1,630	4.8	249	1,800	4.9	286	3,430	4.9	535
Jaccoletti	0	0.0	0	0	0.0	0	720	5.4	126	720	5.4	126
Other (8)	270	2.8	24	3,560	2.4	278	3,140	2.6	266	6,970	2.5	568
Total Southern Cross	**1,010**	**4.1**	**132**	**11,900**	**3.7**	**1,404**	**7,170**	**3.8**	**865**	**20,080**	**3.7**	**2,401**
Leonora												
Gwalia Deeps	0	0.0	0	10,050	8.7	2,799	1,810	11.9	693	11,860	9.2	3,492
Gwalia Int & West Lode	0	0.0	0	10	6.2	2	1,260	6.0	244	1,270	6.0	246
Tarmoola	12,000	0.9	347	46,000	1.2	1,775	0	0.0	0	58,000	1.1	2,122
Tower Hill	0	0.0	0	4,750	4.7	716	330	4.3	46	5,080	4.7	762
Other (9)	990	1.0	33	2,670	1.3	114	2,720	3.2	284	6,380	2.1	431
Total Leonora	**12,990**	**0.9**	**380**	**63,480**	**2.6**	**5,406**	**6,120**	**6.4**	**1,267**	**82,590**	**2.7**	**7,053**
Total All Regions	**14,000**	**1.1**	**512**	**75,380**	**2.8**	**6,810**	**13,290**	**5.0**	**2,132**	**102,670**	**2.9**	**9,454**

Notes – General

1. Mineral Resources updated during the '08/'09 Fiscal Year have been estimated using economic cut-off grades and mining optimisations based on a $1,200/oz gold price.
2. These Mineral Resources have been compiled and estimated under the direction of Mr Ben Bartlett.
3. The Tower Hill Mineral Resource estimate is calculated using a 0.8g/t cut-off within an optimised $1,200 pit shell, and a 3.2g/t cut-off grade below the optimised pit shell.
4. The Transvaal Mineral Resource estimate is calculated using a graduated cut off grade of 0.5 to 0.9g/t in oxide and 0.7 to 1.0g/t in fresh rock within an optimised $1,200 pit shell and a 2.6g/t cut-off grade below the optimised pit shell.
5. Mineral Resource variances compared to the June '08 Mineral Resource Statement are primarily attributed to mining depletion, cut-off grade changes, re-evaluation at $1,200/oz gold price optimisation designs and some re-interpretation of the resources. Notable variances are Southern Cross: Cornishman (-34,000 oz), Ruapehu (+55,000 oz); Jaccoletti (+126,000 oz) ;Edwards Find, North Edwards & Tamarin (+40,000 oz); Marvel Loch (-159,000 oz); Nevoria (-65,000 oz); GVG/Sth Burbidge (-166,000 oz);Transvaal (-120,000 oz) and at Leonora: Tower Hill (-605,000 oz); Kailis and Trump; (-108,000 oz) and Gwalia (-100,000 oz).
6. Mineral Resources carried over unchanged from June'08 include Southern Cross: Axehandle (130,000 oz); Yilgarn Star (82,000 oz) and at Leonora: Gwalia Intermediates (238,000 oz);Tarmoola Pit and Stockpile (2.15 Moz); and Harbour Lights (270,000 oz). Combined, these resources total 72 Mt @ 1.6 g/t for 3.7 Moz or 39% of the Company's Mineral Resource Inventory. Resource reviews for all of these resources along with Nevoria, Transvaal and Edwards Find are planned during the current 2010 fiscal year.
7. All numbers have been rounded to tonnes (10,000) and ounces (1,000) and this may result in some rounding discrepancies.
8. Southern Cross "Other" comprises 13 resources including: Axehandle, GVG Lode 1, Edwards Find, North Edwards Find, Tamarin, Cornishman, New Zealand Gully, Ruapehu, GVG South Bronco, Various Stockpiles (Measured), Redwing and Yilgarn Star.
9. Leonora "Other" comprises 8 resources including: McGraths, Kailis, Harbour Lights, Tarmoola stockpile, Royal Arthur Bore, Rainbow (Measured), Gwalia and Tower Hill ROM stockpiles.
10. A number of Mineral Resource estimates were updated by consultant firms for St Barbara Ltd (SBM). The following deposits were updated by Runge Ltd (formerly Resource Evaluations Pty Ltd): Gwalia Deeps (Below Dyke), Nevoria, GVG – Sth Burbidge Transvaal. Updates to Axehandle were completed by Coffey Mining Ltd and updates to Kailis by Ray Varley.
11. Mineral Resource updates completed by the Company include: Gwalia Deeps (Above Dyke), Gwalia upper West Lode, Tower Hill, Marvel Loch UG, Mercury, Edwards Find, Ruapehu/New Zealand Gully and Jaccoletti.

Competent Persons Statement

References to Mineral Resources contained in this report have been compiled under the supervision of Mr Ben Bartlett. Mr Bartlett is a Member of the Australasian Institute of Mining and Metallurgy and is a full time employee of the Company. Mr Bartlett has sufficient experience relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'. Mr Bartlett consents to the inclusion in the report of the matters based on their information in the form and context in which they appear.

FINANCE

- Revenue up 96% to $281 million
- Average gold price of $1,210 per ounce achieved during the year
- Cash operating cost of $829 per ounce
- Consolidated EBITDA of $52.4 million before Significant Items
- Capital expenditure of $149 million, principally to complete the Gwalia mine and associated infrastructure
- Cash at bank at 30 June 2009 of $78 million; including restricted cash of $24 million
- Total debt $98 million, including $77 million convertible notes

The result for the year ended 30 June 2009 was a profit of $0.2 million (2008: $29.3 million loss), excluding a net loss of $76.6 million (2008: $12.0 million profit) from Significant Items. The improvement in the result before Significant Items was attributable to the higher gold price and addition of gold production from Leonora Operations, which were commissioned in October 2008.

Revenue

Total sales revenue of $281,129,000 (2008: $143,129,000) was generated mainly from gold sales of 231,318 (2008: 157,278) ounces at an average achieved gold price of A$1,210 (2008: A$907) per ounce. Other revenue of $5,411,000 (2008: $4,846,000) comprised mainly interest earned during the year of $3,044,000 (2008: $5,053,000), of which $nil was capitalised (2008: $1,371,000).

	30 June 2009 A$'000	30 June 2008 A$'000
Sales revenue	281,129	143,129
EBITDA – excluding Significant Items	52,445	382
Net Profit (loss) after tax – excluding Significant Items	209	(29,291)
Total net Significant Items	(76,553)	11,958
EBITDA (including Significant Items)	39,701	12,340
Net Profit (loss) after tax	(76,344)	(17,333)

Significant Items for the year comprise:	$ million
Restructuring and redundancy provisions	(5.8)
Impairment of Southern Cross assets	(40.5)
Capitalised exploration written off	(8.7)
Open pit mine development written off	(16.9)
Gains on the close out of put options	1.5
Write down of listed investments to fair value	(6.2)
Total	(76.6)

Significant Items

Significant Items amounted to an after tax loss of $76.6 million for the year. As at the 31 December 2008 half year reporting date the Company reported Significant Items totalling a net after tax loss of $27.0 million, comprising mainly impairment write downs of capitalised open pit expenditure and exploration at Southern Cross and Leonora Operations.

As at 30 June 2009 additional impairment write downs were taken at the Southern Cross Operations. These were driven by a reduction in future net cash flows from the Southern Cross operating unit as a result of the strategic decision to cease open pit mining. Open pit mining was previously expected to contribute substantial net cash flows to support the carrying value of the Southern Cross assets.

EBITDA

Production from Leonora Operations commenced in October 2008. Production from the Gwalia underground mine was 64,272 ounces for the year at a cash operating cost of $582 per ounce. The Leonora unit cash operating cost was $719 per ounce, which included low grade open cut material. EBITDA from the Leonora operations was $39 million for the year.

Production from Marvel Loch Underground increased to a record 1,003,000 tonnes of ore for the year and compensated for lower tonnes and grades from open pits. At 30 June 2009, run of mine stockpiles were 331,000 tonnes with an average grade of 2.5 grams per tonne for 13,278 contained ounces. The unit cash operating cost at Southern Cross was $888 per ounce, higher compared to the prior year due to increased mining costs, higher processing costs and higher strip ratios in open pits. EBITDA from the Southern Cross operations was $49 million (2008: $55 million) for the year.

Exploration

Exploration expensed through the Income Statement during the year was $13.4 million (2008: $28.5 million) with total exploration expenditure of $16.0 million (2008: $37.0 million) lower than the previous year, as effort focused around existing operations.

Depreciation and Amortisation

Depreciation and Amortisation of fixed assets and capitalised mine development was $110.1 million (2008: $30.8 million), which included Significant Items of $63.8 million. The higher charge before Significant Items was due to increased mine development at Marvel Loch and commencement of production at Leonora.

Finance costs

Finance costs increased to $9.0 million (2008: $3.0 million) in the year, due mainly to the cessation of interest capitalisation for Gwalia redevelopment upon commencement of production in October 2008. Interest capitalised in fiscal 2009 was $2.0 million (2008: $6.6 million). Finance costs comprised interest paid on the convertible notes, finance lease interest and the impact of the unwinding of discount on the rehabilitation provision.

Other

Corporate and support costs for the year were $27.1 million (2008: $22.7 million), including redundancy and restructuring costs of $5.8 million reported as part of Significant Items, corporate office, rates and taxes associated with the Company's landholdings, compliance costs and operations support and technical services.

Corporate costs (before Significant Items) covering the running of the corporate office and compliance were $12.8 million. Operations support costs (before Significant Items) totalled $8.5 million for the year.

Royalty costs during the year at $11.0 million (2008: $6.2 million) increased compared to the prior year due to the higher gold price and increased production with the commissioning of the Gwalia mine. Royalty payments are made to the Western Australian Government and a third party.

Financial Position

At 30 June 2009 net current assets decreased to $22.0 million (2008: $40.3 million) due mainly to the reclassification of the convertible notes from non-current liabilities to current liabilities ($77.1 million). The higher cash balance, reclassification of available for sale financial assets from non-current to current assets and lower trade payables improved the net current assets position as at 30 June 2009.

Available for sale financial assets were reclassified to current assets, to reflect the fact that the Company identified the Bendigo Mining investment as non-core to be divested within twelve months. The convertible notes were reclassified to current liabilities due to an option that enables note holders to require full or partial repayment of their notes on 4 June 2010.

At 30 June 2009 other receivables included restricted cash of $24.4 million (2008: $20.6 million), which represented cash held on deposit as security for bank guarantees.

On 27 March 2009, the Company accepted offers from note holders to buy back $22.5 million in face value of notes at a price of 94 cents in the dollar, inclusive of 2.6 cents of accrued interest.

During the year a $20 million financing facility was drawn down to fund the construction and purchase of surface infrastructure at Gwalia. This facility is repayable over a period of forty eight months.

Total interest bearing borrowings including the convertible notes was $97.5 million (2008: $100.9 million) at 30 June 2009.

During the year the Company issued new equity as follows:

- In July 2008 proceeds of $56.1 million before transaction costs were received from the retail component of the renounceable rights issue launched in June 2008; and
- In February 2009 proceeds of $77.7 million before transaction costs were received from a share placement.

The increase to shareholders' equity from the issue of new shares during the year totalled $129.7 million. Accumulated losses increased to $208.7 million (2008:$132.3 million) reflecting the impact of the significant items reported for the year.

Cash Flow

Operating activities

Cash flow from operating activities for the year was $24.3 million (2008: $25.0 million). An increase in receipts from customers reflects the benefit of a higher average achieved gold price during the year and commencement of production at Leonora. Payments to suppliers and employees were $137.5 million higher than the prior year, reflecting the impact of increased operating costs and the commencement of production at Leonora. Negative movement in working capital reduced cash flow from operations by $28.7 million during the year, reflecting the impact of higher inventories and lower accounts payable.

Investing activities

Cash flow used in investing activities amounted to $128.3 million (2008: $222.0 million) and was in the following major areas:

- Mines under construction at Gwalia – $28.7 million;
- Mine development expenditure – $71.5 million;
- Purchase of property, plant and equipment, principally at Gwalia – $48.6 million; and
- Exploration expenditure – $16.0 million.

Cash received on the close out of gold put options during the year was $36.3 million.

Financing activities

Cash flow from financing activities totalled $122.2 million (2008: $145.1 million), which included proceeds from equity raisings during the year of $133.9 million, and the draw down under the asset financing facility of $20 million. Transaction costs associated with the equity raisings totalled $5.4 million for the year. A payment of $20.6 million was made for the buy back of convertible notes during the year.

Subsequent Events

In August 2009, St Barbara sold its 9.7% investment in Bendigo Mining Limited for net proceeds of $9.9 million. This will give rise to a net profit in fiscal year 2010 of $2.7 million, and a reversal of the fair value reserve representing the movement in the fair value of the shares from December 2008 to 30 June 2009.

St Barbara has entered into a $50 million equity line standby facility from US based investment fund YA Global Master SPV Ltd, which provides the Company with a source of additional cash if required, to support the potential early redemption of convertible notes on 4 June 2010. The facility allows more time for the Company to progress the divestment of non-core assets, and evaluate and negotiate other sources of longer term finance.

EXECUTIVE LEADERSHIP TEAM

Tim Lehany

B.E., MBA, MAusIMM

Managing Director and Chief Executive Officer

Tim is a mining engineer with extensive operating experience over the past twenty years with a number of mining companies, including Newcrest Mining and WMC Ltd. His roles covered gold, base metal and nickel mines. At Newcrest Mining Limited, he played a key leadership role in the implementation of a structured value-driven five year planning process that has greatly streamlined business processes and enhanced Newcrest's operational performance.

David Rose

B.E. (Mining Eng), BA

Chief Operating Officer

David is an experienced Mining Executive with 25 years of industry experience having held senior positions at WMC, CRA, Pasminco and Rio Tinto. He is a Mining Engineer with a First Class Honours degree from the University of Queensland, and a Bachelor of Arts Degree from the University of Oxford where he studied as a Rhodes Scholar.

David Rose commenced on 7 September 2009.

Garth Campbell-Cowan

B.Com, Dip-Applied Finance & Investments, FCA

Chief Financial Officer

Garth was appointed in September 2006 and is responsible for finance, treasury, taxation, reporting and business analysis, corporate planning, capital management, procurement and information technology. Prior to joining St Barbara, he was Director of Corporate Accounting at Telstra and has held finance leadership roles with WMC, Newcrest Mining and ANZ.

Ross Kennedy

B.Com, Grad. Dip-Company Secretarial Practice, ACA, FTIA, FAICD, M AusIMM, ACIS

Executive General Manager Corporate Services & Company Secretary

Ross has been with St Barbara since 2004. He leads the corporate services team which covers corporate policy design and implementation, internal and external communications, human resources policy, land management statutory compliance as well as promoting risk and opportunity strategies to protect the Company's business and create shareholder value. The Company Secretariat manages statutory compliance with Company law and stock exchange listing rules, in Australia and overseas, as well as the organisation of Board and shareholder-related matters.

Phil Uttley

B.Sc. Hons. (Geol. & Mineral.)

Executive General Manager Exploration

Phil is an experienced Exploration Executive with 35 years of industry experience having held senior positions in Sino Gold, SRK Consulting and Renison Goldfields Consolidated (formerly Gold Fields). He has a B.Sc Hons. (Geol. & Mineral) from University of Queensland and is an experienced exploration geologist, with a demonstrated track record in gold discoveries and establishment of resources for gold production. Phil Uttley commences on 28 September 2009.

CORPORATE GOVERNANCE

Corporate Governance is the process by which companies are directed and managed. Strong corporate governance also aids effective management and decision making. St Barbara is committed to sustaining and improving corporate governance systems and reports in accordance with the 2007 ASX Corporate Governance Principles and Recommendations.

During the 2009 fiscal year the Company assessed its practices against the ASX Recommendations and has made appropriate modifications to its policies. St Barbara's position with respect to each of the relevant ASX Recommendations is described below.

St Barbara's website contains a range of information on governance practices and policies including Charters for the Board and all Board Committees. The website address is www.stbarbara.com.au

Principle 1: Lay solid foundations for management and oversight

The role of the Board is to represent the interest of 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. Honestly, fairly and in accordance with the law in serving the interests of the Company, its shareholders, employees, and 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.

Responsibility to shareholders extends to other stakeholders with equity interests, including Convertible Note and option holders.

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

Executive manager evaluation

The Board has established a Remuneration Committee, which provides recommendations and direction for the Company's remuneration practices. The Committee ensures that a significant proportion of each executive's remuneration is linked to his or her performance through short and long-term incentives and the Company's performance relative to its peers. Performance reviews are conducted at least annually and were undertaken during the 2009 financial year. The performance of the Managing Director and CEO and direct reports is assessed against agreed key performance indicators with results for senior executives reported to the Remuneration Committee.

Principle 2: Structure the Board to add value

Independence

It is Board policy that a majority of Non-Executive Directors, including the Chairman, should be independent and free of any relationship that may conflict with the interests of the Company, and this has been, and continues to be the case at St Barbara.

The Chairman is an independent Non-Executive Director. The Managing Director and Chief Executive Officer, is the sole executive on the Board.

In order to ensure that any potential conflict of interest of a Director in a matter to be considered by the Board is known by each other Director, every Director has contracted with the Company to disclose any relationships, duties or interests held that may give rise to such potential conflict. Directors who have declared a conflict of interest on a particular issue are excluded from voting on that issue.

Composition and Nomination to Board

Having regard to the importance of Board appointments and the size of the Company the Board retains the board nomination responsibility to itself and therefore does not have a nomination committee.

Although there is no specific process of director selection detailed in the Board Charter, on deciding to appoint a director to the Board, the Board evaluates its skill needs and engages a independent search firm to assist and advise the Board on identifying and selecting the best candidates for the given vacancy. The assessment process includes interviews by a majority of Board members. 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 current Director's skills, qualifications, experience, relevant expertise and dates of appointment are set out in pages 26 and 28.

The Board discussed and considered the performance of the Board during the year, which was facilitated by the Chairman. Having regard to the change in Managing Director and CEO in March 2009, it was agreed for the Chairman to facilitate an evaluation of Board and Director performance during the 2010 fiscal year.

Board structure

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 next Board meeting. The current Committees are:

Remuneration Committee

Members: Barbara Gibson (Chair), Doug Bailey, Robert Rae, Colin Wise.

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

Audit Committee

Members: Doug Bailey (Chair), Phil Lockyer, Robert Rae, 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, oversight of the external audit function and review of Ore Reserve estimation processes. Matters relating to the assessment and supervision of non-financial business risks and compliance are covered directly by the Board.

Health and Safety Committee

Members: Phil Lockyer (Chair), Barbara Gibson, Colin Wise.

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

- promoting 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 28 of this report.

Director participation

Directors visit St Barbara's mining operations at least once per annum 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

As specified in the Board Charter and individual letters of appointment, Directors have right of access to all relevant Company information, to Company 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 of the Company's stakeholders. During the year the Company developed and adopted a new set of Values and a Vision to be a successful and growing gold company. The values and vision are on the Company website. Employees and other members of the workforce are made aware of acceptable behaviour through on-going training and development and contact with senior management who are encouraged to lead by example.

In addition to living these values, the Company has specific policies and procedures that cover conflicts of interest for Directors. These include maintaining a register of Director interests.

Employees are accountable for their conduct under a range of Company policies and procedures, including an Occupational Health and Safety Policy, an Equal Opportunity Policy, an Environment Policy, a policy regarding the Use of Computer Facilities and others. The Company Secretary is responsible for investigating any reports of unethical practices and reporting outcomes to the Managing Director and CEO or the Board, as appropriate.

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 not in the public domain that could be expected to have a material effect on the price of Company securities. Dealing in Company shares by Directors, Officers and Employees is governed by a 'Dealings in Securities' Policy. This policy allows for a 30-day trading window commencing from the business day following significant public announcements, provided the Company is not at any time during the 30 days 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 Board has established an Audit Committee and its Charter is available on the Company's website. The Audit Charter covers the principles governing the relationship with the external auditors. The Committee considers that KPMG's process of partner rotation is sufficient to maintain independence of external auditors.

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 potentially material to the share price or its value is lodged with the ASX as soon as practicable. Other relevant information, including Company presentations, updates by senior management and commentary on financial results, are also subject to strict internal reviews and disclosed to the ASX and through the Company website.

Principle 6: Respect the rights of shareholders

During the year the Company adopted a shareholder Communications Policy. Communication to shareholders is facilitated by the production of the Annual Report, Quarterly Reports, public announcements and the posting of ASX releases on St Barbara's website immediately after their disclosure on the ASX. Shareholders can register on the website to receive email notification of announcements. The Company believes, considering the size of the shareholder base, that through the current announcement procedures and distribution methods, shareholders have the opportunity to be fully informed of significant Company activities.

In addition, all shareholders are encouraged to attend the Annual General Meeting of Shareholders and use the opportunity to ask questions. The Company makes every endeavour to respond to these questions. The external auditor attends the meeting and is available to answer questions.

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

The Company also has policies in place dealing with risks in the areas of Health and Safety, Environment and Employee Relations. Management has regularly informed the Board about risks within the business and the effectiveness of the Company's management of those risks during the 2009 financial year.

Utilising external consultants the Company commenced an enterprise wide risk and opportunity assessment during the 2009 financial year. The two year project is expected to deliver enhanced risk and opportunity reporting and control mechanisms, which are designed to ensure that strategic, operational, legal, reputational and financial risks and opportunities are identified, assessed and managed. All material business risks will be evaluated as part of the Enterprise Wide Risk and Opportunity Assessment program. A Risk Management Policy, framework and risk evaluation matrix have been established.

Principle 8: Remunerate fairly and responsibly

The Remuneration Committee Charter was reviewed and updated during the year.

Board Remuneration

The remuneration of the Non-Executive Directors is fixed rather than variable. There are no retirement benefits paid to Non-Executive Directors. Independent expert remuneration advice is considered from time to time in determining remuneration for the Chairman, Managing Director and CEO, and direct reports, as well as Non-Executive Directors. For the 2010 fiscal year, Non-Executive Directors have determined not to increase their fees.

Executive Remuneration

The Remuneration Committee provides recommendations and direction for the Company's remuneration policies and practices. It utilises independent expert advice and surveys as appropriate to benchmark executive remuneration, packaging, and remuneration practices across the Company. The Committee ensures that a significant proportion of each executive's remuneration is linked to his or her performance and the Company's performance in the form of short and long-term components. Short Term Incentives are aligned to achievement of specific corporate and individual targets and goals directed at creating value and/or mitigating business risks. The Company has recently implemented a policy prohibiting executives from entering into transactions, which hedge or protect the unvested portion of any equity-based remuneration entitlements.

Further details in relation to Director and Executive remuneration are set out in the Remuneration Report on pages 32 to 40.

St Barbara

St Barbara Limited
ABN 36 009 165 066

FINANCIAL REPORT 2009

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 2009.

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	
T J Lehany	Managing Director & CEO	Appointed 2 March 2009
E Eshuys	Managing Director & CEO	Resigned 2 March 2009
D W Bailey	Non-Executive Director	
B J Gibson	Non-Executive Director	
P C Lockyer	Non-Executive Director	
R K Rae	Non-Executive Director	

Principal activities

During the year the principal activities of the consolidated entity were mining and the sale of gold, mineral exploration and development. 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.

Consolidated Results

The result reported by the consolidated entity for the year ended 30 June 2009 was a net loss after tax of $76,344,000 (2008: net loss of $17,333,000), which included significant items amounting to a net loss of $76,553,000 (2008: net profit of $11,958,000). The consolidated revenues and result for the year are summarised as follows:

	30 June 09 $'000	**30 June 08 $'000**
Sales revenue	**281,129**	143,129
EBITDA (including significant items)	**39,701**	12,340
EBIT (including significant items)	**(70,403)**	(18,439)
Net (loss) after tax for the year	**(76,344)**	(17,333)
Total net significant items	**(76,553)**	11,958
EBITDA – excluding significant items	**52,445**	382
EBIT – excluding significant items	**6,150**	(30,397)
Net profit/(loss) after tax – excluding significant items	**209**	(29,291)

The significant items are detailed in the table below.

Significant Items	30 June 09 $'000	30 June 08 $'000
Net realised/unrealised gains on gold put options[4]	1,515	16,834
Write down of listed investments to fair value[3]	(6,192)	(4,876)
Included within corporate and support costs		
• Restructuring provision	(1,957)	–
• Redundancy payments	(3,877)	–
Asset impairment write-downs		
• Open pit mine development[1]	(16,904)	–
• Southern Cross assets[2]	(40,488)	–
• Capitalised exploration	(8,650)	–
	(76,553)	11,958

(1) Write down of capitalised open pit development expenditure as a result of decisions to cease open pit mining at Southern Cross and Leonora operations during the year.

(2) The impairment write down taken on the Southern Cross assets was driven by a reduction in future estimated net cash flows from the Southern Cross operations cash-generating unit as a result of the cessation of open pit mining. The revised cash flow estimates no longer supported full recovery of the carrying value of the Southern Cross cash-generating unit. Substantial net cash flows from future open pit operations at Southern Cross were previously included in the business plan and provided support for the carrying value of assets.

(3) The listed investments were written down to fair value based on the mark-to-market value as at the 31 December 2008 half year reporting date. As at 30 June 2009 the mark-to-market value of listed investments reflected an increase, which in accordance with accounting standards was recorded in reserves in the balance sheet. Refer to the "Events occurring after the end of the financial year" in this report for details of accounting for the reserve after 30 June 2009.

(4) The gain on gold put options in the year represents a realised gain on the close out of the options. In the prior year a net unrealised gain of $16,834,000 was recognised in the income statement.

Review of operations

The Company's focus during the year continued to be the achievement of profitable production and the extension of the mine life at the Southern Cross operations, development of operations at Gwalia and to explore for gold close to existing operations at Southern Cross and Leonora.

During the year, the Company completed a comprehensive strategic and operational review of its operations, asset portfolio, organisational capability and financial requirements. The key outcomes of the review were:

- the Company's activities will have a much stronger emphasis on lower cost, higher margin gold production in Australia,
- a three year plan to implement the strategic review was developed, underpinned by operations based on higher margin underground mill feed from the Gwalia and Marvel Loch underground mines; and
- open pit mining operations at Southern Cross will cease by the end of July 2009 and the treatment plant at Southern Cross will be operated on a campaign milling basis. The Leonora treatment plan moved to campaign milling in March 2009.

Review of operations cont.

Financial performance

Total sales revenue of $281,129,000 (2008:$ 143,129,000) was generated mainly from gold sales of 231,318 (2008: 157,278) ounces at an average achieved gold price of A$1,210 (2008: A$907) per ounce. Production at Southern Cross was 156,105 (2008: 157,477) ounces for the year. Production at Leonora, which commenced in October 2008, was 82,795 ounces for the year. A summary of the production performance for the year ended 30 June 2009 is provided in the table below.

Details of 2009 Production Performance

		Southern Cross		Leonora		Total	
		2008/09	2007/08	**2008/09**	2007/08	**2008/09**	2007/08
Open Pit Ore Mined	t	**1,119,997**	1,593,797	**372,206**	–	**1,492,203**	1,593,797
Grade	g/t	**1.9**	1.7	**1.3**	–	**1.8**	1.7
Underground Ore Mined	t	**1,003,202**	900,049	**304,544**	–	**1,307,746**	900,049
Grade	g/t	**3.8**	3.7	**6.9**	–	**4.5**	3.7
Ore Milled	t	**2,233,367**	2,231,237	**835,843**	–	**3,069,210**	2,231,237
Grade	g/t	**2.5**	2.5	**3.3**	–	**2.7**	2.5
Recovery	%	**88**	88	**94**	–	**90**	88
Gold Production	oz	**156,105**	157,477	**82,795**	–	**238,900**	157,477
Cash Operating Cost(1)	A$/oz	**888**	555	**719**	–	**829**	555

(1) Before significant items.

The production from the Marvel Loch underground mine increased to a record 1,003,202 tonnes, compensating for the lower tonnes and grades from open pits. At 30 June 2009, run of mine ("ROM") stockpiles were 331,315 tonnes with an average grade of 2.5 grams per tonne, for 26,225 contained ounces.

Production from the Gwalia mine at Leonora commenced in October 2008, producing 304,544 tonnes for the year. Feed to the mill was initially supplemented by open pit ore from Trump (372,206 tonnes), however open pit operations ceased in February 2009 due to the higher than expected operating costs. In March 2009, the mill commenced campaign milling to process ore sourced from Gwalia.

Other revenue of $5,411,000 (2008: $4,846,000) comprised mainly interest earned during the year of $3,044,000 (2008: $5,053,000), of which $nil was capitalised (2008: $1,371,000).

Total cash operating costs and per unit cash operating costs at Southern Cross operations were higher in the year compared with the prior year, due to increased mining costs associated with underground and open pit production and higher processing costs. Total cash operating costs, before significant items of $2,233,000 for the write-off of underground mining development, were $138,630,000 (2008: $87,350,000), with the unit cash operating cost for the year at $888 (2008: $555) per ounce.

At Leonora, total cash operating costs of $59,499,000 and per unit cash operating costs of $719 per ounce included the effect of processing the low grade open pit ore from Trump. Production from the Gwalia underground mine for the year was 64,272 ounces at a cash operating cost of $582 per ounce. The cash operating cost of Trump ore was $1,193 per ounce.

Exploration expensed in the income statement in the year was $13,442,000 (2008: $28,531,000), with total exploration expenditure amounting to $15,990,000 (2008: $36,962,000). The Company policy in relation to accounting for exploration supports capitalisation of expenditure where it results in an increase in reserves and is likely to be recouped from successful development and exploitation of the area of interest, or alternatively, by its sale.

Corporate & support costs for the year totalled $27,089,000 (2008: $22,730,000), which included expenses related to the corporate office, rates and taxes associated with the Company's landholdings, compliance costs and operations support and technical services. Corporate & support costs also included significant redundancy and restructuring costs and provisions totalling $5,834,000.

Depreciation and amortisation of fixed assets and capitalised mine development totalled $110,104,000 (2008: $30,779,000) for the year, which included $63,809,000 of significant items. The higher depreciation and amortisation charge in the year was attributable to increased mine development at Marvel Loch and the commencement of production at Leonora, and the significant items associated with the write-off of mine development and capitalised exploration.

Net finance costs increased to $8,996,000 (2008: $3,008,000) in the year due mainly to the fact that capitalisation of interest expense associated with mines under construction ceased in October 2008. During the year interest paid of $2,020,000 was capitalised to mines under construction (2008: $6,640,000).

At 31 December 2008, an impairment loss of $6,192,000 was recognised in relation to the investment in Bendigo Mining Limited and disclosed as a significant item. During the year, the AASB released Australian Interpretation 10 *Interim Financial Reporting and Impairment* (based on the International Financial Reporting and Interpretations Committee's ("IFRIC") Interpretation 10) which prevents the reversal of an impairment loss recognised at an interim reporting date. As a result, the mark to market gain as at 30 June 2009 in relation to the Company's investment in Bendigo Mining, which would ordinarily have reversed the impairment loss recognised in the income statement in the period ended 31 December 2008, was recorded in the investment fair value reserve. The fair value adjustment of $6,687,000 taken to the reserve represents the mark to market change from 31 December 2008 to 30 June 2009. Subsequent to the reporting date the investment in Bendigo Mining has been sold on market.

Financial position

As at 30 June 2009 net current assets decreased to $22,016,000 (2008: $40,277,000) due mainly to the reclassification of the convertible notes from non-current liabilities to current liabilities ($77,100,000). The higher cash balance, reclassification of available-for-sale financial assets from non-current to current assets and lower trade payables improved the net current assets position as at 30 June 2009. Available-for-sale financial assets were reclassified to current assets, to reflect the fact that the company identified the Bendigo Mining investment as non-core to be divested within twelve months. The convertible notes were reclassified to current liabilities due to an option that enables note holders to require full or partial repayment of their notes on 4 June 2010. As at 30 June 2009 other receivables included restricted cash of $24,339,000 (2008: $20,597,000), which represented cash held on deposit as security for bank guarantees. The working capital balance as at 30 June 2009, excluding the current deferred mining asset and restricted cash, was negative $18,519,000 (2008: positive $3,757,000).

Total non-current assets decreased by $6,820,000 during the year to $317,660,000 (2008: $324,480,000). The decrease in non-current assets was attributable to the write-off of mine development totalling $66,042,000 and reclassification of available-for-sale financial assets to current assets, which was offset by capitalised development expenditure at Southern Cross and Gwalia, capitalised exploration expenditure and an increase in property, plant and equipment.

On 27 March 2009, the Company accepted offers from note holders to buy back $22,500,000 in face value of notes at a price of 94 cents in the dollar, inclusive of 2.6 cents of accrued interest.

During the year, a $20,000,000 financing facility was drawn down to fund the construction and purchase of certain surface infrastructure at Gwalia. This facility is repayable over a period of 48 months.

Non-current liabilities decreased to $43,204,000 (2008: $128,093,000) mainly as a result of the reclassification of convertible notes to current liabilities. Non-current interest bearing borrowings totalled $13,974,000 (2008: $98,570,000) as at 30 June 2009, comprising mainly the non-current portion of the equipment financing facility.

During the year the Company issued new equity as follows:

- in July 2008 proceeds of $56,125,000 before transaction costs were received from the retail component of the renounceable rights issue launched in June 2008; and
- in February 2009 proceeds of $77,736,000 before transaction costs were received from a share placement.

The increase to shareholders' equity from the issue of new shares during the year totalled $129,710,000. Accumulated losses increased to $208,664,000 (2008:$132,320,000) reflecting the impact of the significant items reported for the year.

Cash flows

Cash flow from operating activities for the year was $24,324,000 (2008: $24,992,000). An increase in receipts from customers reflects the benefit of a higher average achieved gold price during the year and commencement of production at Leonora. Payments to suppliers and employees were $137,549,000 higher than the prior year, reflecting the impact of increased operating costs and the commencement of production at Leonora. Interest received of $2,940,000 (2008: $5,181,000) was lower than in the prior year due to lower cash balances. The interest paid in the year of $7,653,000 (2008: $8,000,000) was in respect of the convertible notes.

Cash flow used in investing activities amounted to $128,328,000 (2008: $221,970,000) and was in the following major areas:

- mines under construction at Gwalia – $28,682,000;
- mine development expenditure – $71,502,000;
- purchase of property, plant and equipment, principally at Gwalia – $48,567,000; and
- exploration expenditure – $15,990,000.

Cash received on the close out of gold put options during the year was $36,300,000.

Review of operations cont.

Cash flows cont.

Cash flow from financing activities totalled $122,179,000 (2008: $145,126,000), which included proceeds from equity raisings during the year of $133,861,000, and the draw down under the asset financing facility of $20,000,000. Transaction costs associated with the equity raisings totalled $5,354,000 for the year. A payment of $20,565,000 was made for the buy back of convertible notes during the year. Cash flow from financing activities included a movement in restricted cash of $3,742,000 (2008: $12,482,000).

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:

(a) Gwalia development

Completion of pre-commissioning of the Gwalia underground mine required capital expenditure covering underground development, mine infrastructure and refurbishment of the plant totalling $67,209,000 in the year.

(b) Reclassification of available-for-sale financial assets

At 30 June 2009 available-for-sale financial assets were reclassified to current assets. The Company's strategic review completed in June 2009 identified non-core assets for divestment within twelve months.

(c) Impairment write-off

During the year, the Company recognised impairment write-offs in relation to mine development expenditure and capitalised exploration totalling $66,042,000.

(d) Reclassification of non-current liabilities

As at 30 June 2009 the outstanding balance of convertible notes of $77,100,000 was reclassified to current liabilities. The reclassification of the convertible notes outstanding balance to current liabilities was based on the fact that note holders have an option to require repayment of all or some of their notes on 4 June 2010.

(e) Changes in issued capital

In July 2008 the Company received proceeds from the issue of new shares of $56,125,000, before transaction costs. A total of 140,312,045 new shares were issued at an issue price of $0.40 per share.

In February 2009 the Company received proceeds of $77,736,000, before transaction costs, from the issue of new shares. A total of 189,600,000 new shares were issued at an issue price of $0.41 per share.

(f) Operating loss for the year

The consolidated entity reported a net loss for the year of $76,344,000 including significant items totalling $76,553,000. Total net loss for the year (including significant items) increased accumulated losses to $208,664,000.

Likely developments and expected results of operations

The Company will focus on achieving profitable production with a much stronger emphasis on lower cost, higher margin gold production in Australia. Open pit mining ceased at Southern Cross operations in July 2009 and the treatment plant at both Leonora and Southern Cross are planned to operate on a campaign milling basis in the next financial year.

Further information about anticipated developments in the operations of the Company and the anticipated results of those operations in future financial years have not been included in this report because there is insufficient certainty to warrant disclosure.

Regulatory environment

The Company's mining activities are all in Western Australia, and are governed by Western Australian legislation, including the Mining Act 1978, the Mines Safety and Inspection Act 1994, Dangerous Goods Safety Act 2004 and other mining related and subsidiary legislation. The consolidated entity is subject to significant environmental regulation, including the Western Australian Environmental Protection Act 1986, Contaminated Sites Act 2003, Wildlife Conservation Act 1950 and the Commonwealth Environmental Protection and Biodiversity Conservation Act 1999, as well as safety compliance in respect of its mining and exploration activities.

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 resources, energy and corporate sectors. He spent 24 years with WMC Limited, 10 of which as General Counsel and subsequently, four years as Counsel to a New York law firm. He has extensive practical experience in Australia and internationally with a wide range of corporate, operational and legal matters.

He has been Chairman of St Barbara since mid 2004, and is a Fellow of both the Australian Institute of Company Directors and the Australasian Institute of Mining and Metallurgy. He is a member of the Advisory Board to the Dean of Medicine, Nursing and Health Sciences at Monash University and was a Non-Executive Director for 5 years of Southern Health, the largest health care service in Victoria, Chair of its Quality Committee, and a member of the Audit Committee.

Other current public company directorships

Nil

Former public company directorships in last 3 years

Nil

Special responsibilities

Chairman of the Board
Member of the Remuneration, Audit and Health & Safety Committees

Interest in shares and options

Mr Wise has a relevant interest in 6,463,724 fully paid ordinary shares of the Company.

Timothy J Lehany B.E., MBA, MAusIMM

Managing Director and Chief Executive Officer

Mr Lehany is a mining engineer with extensive operating experience over the past twenty years with a number of mining companies, including Newcrest Mining and WMC Ltd. His roles covered gold, base metal and nickel mines. At Newcrest Mining Limited, he played a key leadership role in the implementation of a structured value-driven five year planning process that has greatly streamlined business processes and enhanced Newcrest's operational performance.

Other current public company directorships

Nil

Former public company directorships in last 3 years

Nil

Special responsibilities

Nil

Interest in shares and options

Mr Lehany has a relevant interest in 770,000 fully paid ordinary shares and holds 1,508,099 unlisted options to acquire fully paid ordinary shares, subject to performance hurdles, 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 was also 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 138,777 fully paid ordinary shares and 850,000 Convertible Notes 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

Nuplex Industries Limited
Penrice Soda Holdings Limited

Former public company directorships in last 3 years

Biota Holdings Limited

Special responsibilities

Chair of the Remuneration Committee
Member of the Health & Safety Committee

Interest in shares and options

Ms Gibson has a relevant interest in 195,984 fully paid ordinary shares of the Company.

Phillip 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

Focus Minerals Limited
Swick Mining Services Limited
CGA Mining Limited

Former public company directorships in last 3 years

Ammtec Ltd
Perilya Limited
Jubilee Mines Limited

Special responsibilities

Chairman of the Health & Safety Committee
Member of the Audit Committee

Interest in shares and options

Mr Lockyer has a relevant interest in 48,777 fully paid ordinary shares of the Company.

Information on Directors cont.

Robert Rae B.Com (Hons), FAICD

Non-Executive Director

Mr Rae is a Director and Partner of McClintock Associates, a private investment bank and advisory firm and has extensive industry and corporate experience. Mr Rae has held previous directorships within the mining industry, including Plutonic Resources Limited, Ashton Mining Limited, WA Diamond Trust and Centralian Minerals Limited. Mr Rae is also a member of the Salvation Army Advisory Board.

Other current public company directorships

McClintock Associates Securities Limited
SHEM Limited

Former public company directorships in last 3 years

Centralian Minerals Limited

Special responsibilities

Member of the Remuneration Committee
Member of the Audit Committee

Interest in shares and options

Mr Rae has a relevant interest in 174,286 fully paid ordinary shares of the Company.

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 23 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, corporate governance, finance, accounting, commercial negotiations, takeovers, legal contracts, land management, human resources, 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 2009, and the numbers of meetings attended by each Director were:

	Board		Audit Committee		Remuneration Committee		Health & Safety Committee	
	A	B	A	B	A	B	A	B
S J C Wise	13	14	4	4	6	6	4	4
T J Lehany	5	5	–	–	–	–	–	–
E Eshuys	9	9	–	–	4	4	3	3
D W Bailey	14	14	4	4	6	6	–	–
B J Gibson	12	14	–	–	5	6	4	4
P C Lockyer	14	14	3	4	–	–	4	4
R Rae	12	14	3	4	6	6	–	–

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 2009 was prepared by the Directors in accordance with the *Corporations Act 2001* for the Company and the consolidated entity. Information regarding the compensation of individual directors and key management personnel is required by Corporations Regulations 2M3.03. Key Management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and the Group. The key management personnel, excluding Non-Executive Directors, will be collectively referred to as senior executives of the Company and the Group.

Remuneration report cont.

Information provided under headings A – D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures* and the Corporations Regulations 2001 and have been audited.

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

R K Rae – 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, or the Chair of the Remuneration Committee;
- 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

Remuneration is set by reference to independent data, independent professional advice, the Company's circumstances and the requirement to attract and retain high calibre, Non-Executive Directors, senior executive management and staff. Key Management Personnel comprise senior executives of the Company and the Group, including the five most highly remunerated executives.

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	✓	✗	Page 30
	Salary	✗	✓	Page 31
	Superannuation	✓	✓	Page 31
	Other benefits	✓	✓	Page 31
At risk remuneration	Short term incentives	✗	✓	Page 31
	Long term incentives	✗	✓	Page 31
Conclusion of employment	Termination payments	✗	✓	Page 40

Remuneration report cont.

In periodic consultation with independent remuneration consultants, the Company has structured an executive remuneration framework that is market competitive and consistent with the remuneration strategy of the organisation.

The objective of the Company's senior executive remuneration framework is to ensure that reward for performance is competitive and appropriate by aligning senior executive remuneration with achievement of operating and strategic objectives and the creation of value for shareholders. The Board policy is that senior executive remuneration satisfies the following key criteria for good remuneration governance practices:

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

Alignment to shareholders' interests is structured through:

- recognising the achievement of performance targets relating to relative total shareholder return performance; and
- 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;
- recognising capability and experience;
- recognising performance;
- recognising contribution to growth in shareholder wealth; and
- providing a clear structure for earning remuneration.

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 set and varied only by approval of a resolution of shareholders at the annual general meeting. The fee pool limit from which Non-Executive Directors' fees can be drawn is 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 periodically by the advice of independent remuneration consultants to ensure fees are appropriate for the duties performed and in line with the market. In order to maintain their independence and impartiality, the fees paid to Non-Executive Directors are not linked to the performance of the Company.

Superannuation contributions, in accordance with legislation, are included as part of each director's total remuneration. Directors may elect to increase the proportion of their remuneration taken as superannuation subject to legislative requirements.

For the 2009 financial year, with the exception of the Chairman, Non-Executive Director fees comprised fees of $80,000 plus an allowance for chairing a Board Committee of $15,000, plus a fee for serving as a (non-Chair) member of a Board Committee of $7,500. The Chairman received a fixed fee of $190,000 as well as benefits in the form of a car park, mobile telephone allowance and other administrative benefits.

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, including the Chairman, have resolved not to increase Non-Executive Director fees for the 2010 fiscal year.

Since 1 October 2005 Non-Executive Directors have been 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. The plan has been suspended for the 2009 fiscal year.

(iii) Retirement allowances for Directors

Non-Executive Directors are not entitled to retirement benefits.

(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, achieving financial targets and effective execution of 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 (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits), employer statutory contributions to superannuation and other defined benefits;
- short term incentives; and
- long term incentives.

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

Remuneration report cont.

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

(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 periodic 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 may receive benefits, including car parking, living away from home allowances, and payment for certain professional memberships.

(b) Short term incentives (STI)

The STI is an annual "at risk" component of remuneration for the senior executives and the net amount after allowing for applicable taxation is payable in cash. The objective of the STI is to remunerate senior executives for achieving annual company targets and their own individual performance targets. Company and individual performance targets each account for 50 percent of the maximum STI. 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 of the Managing Director & CEO and senior executives have been achieved. To assist in making this assessment, the Committee receives detailed reports and presentations on the performance of the business from the Managing Director & CEO and independent remuneration consultants as required.

The Remuneration Committee recommends for Board approval the STI to be paid to the Managing Director & CEO and senior executives.

(c) Long term incentives (LTI)

LTI's are structured to reward senior executives for the long term performance of the Company and are granted in the form of employee options.

All employee options have been issued pursuant to the St Barbara Limited Employee Share Option Plan. Vesting of options granted during the year is conditional on the Company achieving a Total Shareholder Return relative to a peer group of companies over a three year period, as a minimum at the 50th percentile.

Refer page 38 for further information.

B Details of remuneration

(i) Remuneration paid

Details of the remuneration of 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 2009 were:

• S J C Wise	Chairman
• T J Lehany	Managing Director & CEO Appointed 2 March 2009
• E Eshuys	Managing Director & CEO Resigned 2 March 2009
• D W Bailey	Non-Executive Director
• B J Gibson	Non-Executive Director
• P C Lockyer	Non-Executive Director
• R K Rae	Non-Executive Director

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 2009, were:

• Tim J Lehany	Managing Director & CEO Appointed 2 March 2009
• Eduard Eshuys	Managing Director & CEO Resigned 2 March 2009
• Martin Reed	Chief Operating Officer Appointed 12 January 2009
• George Viska	Acting Chief Operating Officer Resigned 30 January 2009
• Ian Bird	Chief Operating Officer Resigned 4 July 2008
• Garth Campbell-Cowan	Chief Financial Officer
• Ross Kennedy	General Manager Corporate Services/ Company Secretary
• Peter Thompson	General Manager Exploration Resigned 4 July 2008
• Adrian McArthur	Acting General Manager Exploration Appointed 4 July 2008

Remuneration report cont.

B Details of remuneration cont.

(i) Remuneration paid cont.

2009	Short term benefits			
Name	Cash salary & fees $	STI payment $	Non-monetary benefits $	Other $
Non-Executive Directors				
S J C Wise (Chairman)	176,255	–	17,068[12]	–
D W Bailey	94,037	–	–	–
B J Gibson	94,037	–	–	–
P C Lockyer	96,153	–	–	–
R K Rae	87,156	–	–	–
Total Non-Executive Directors	547,638	–	17,068	–
Executive Director				
T J Lehany[1]	262,085	120,000	763	–
E Eshuys[2]	514,740	480,000	8,819	–
Other key management personnel				
M Reed[3]	186,527	42,780	574	–
I Bird[4]	5,952	–	1,250	–
G Campbell-Cowan	371,255	154,000	4,804	–
G Viska[5]	180,940	–	2,360	23,903[10]
R Kennedy	286,255	120,000	4,804	–
P Thompson[4]	3,644	–	1,250	–
A McArthur[6]	236,255	85,000	–	39,447[11]
Total senior executives	2,047,653	1,001,780	24,624	63,350

(1) Mr Lehany was appointed as Chief Executive Officer on 2 March 2009.
(2) Mr Eshuys resigned on 2 March 2009. Refer to section B(iii) for details on payments made to Mr Eshuys on ceasing employment with the Company.
(3) Mr Reed was appointed as Chief Operating Officer on 12 January 2009.
(4) Mr Bird and Mr Thompson resigned on 4 July 2008.
(5) Mr Viska was made redundant on 30 January 2009.
(6) Mr McArthur commenced as Acting General Manager Exploration on 4 July 2008.
(7) The value of options disclosed as remuneration is the portion of the fair value of the options recognised in the reporting period.
(8) For current employees, the amount represents the long service leave expense accrued for the period. For employees who resigned during the year, the amount represents the payment made to them on termination relating to pro-rated long service leave owing.
(9) Termination payments include amounts for accrued annual leave owing at the date of the employee's resignation.
(10) Living away from home allowance.
(11) Stamp duty paid on house purchase upon relocation.
(12) Represents carpark, mobile phone, and other administrative benefits.

Post-employment benefits						
Super-annuation $	Long Service Leave[8] $	Share-based payments: options[7] $	Termination payments[9] $	Total $	Proportion of total performance related	Value of options as % of total
13,745	–	–	–	207,068	–	–
8,463	–	–	–	102,500	–	–
8,463	–	–	–	102,500	–	–
6,348	–	–	–	102,501	–	–
7,844	–	–	–	95,000	–	–
44,863	**–**	**–**	**–**	**609,569**		
4,582	19,715	14,383	–	421,528	28.5%	3.4%
13,745	89,550	11,901	1,578,244	2,696,999	5.6%	0.4%
6,969	9,685	–	–	246,535	17.4%	–
3,282	–	–	385,962	396,446	–	–
13,745	20,609	50,578	–	614,991	25.0%	8.2%
8,018	32,485	–	471,103	718,809	–	–
13,745	23,111	9,031	–	456,946	26.3%	2.0%
2,188	20,617	–	271,592	299,291	–	–
13,745	25,178	7,265	–	406,890	20.9%	1.8%
80,019	**240,950**	**93,158**	**2,706,901**	**6,258,435**		

Remuneration report cont.

B Details of remuneration cont.

(i) Remuneration paid cont.

2008	Short term benefits			
Name	Cash salary & fees $	STI payment $	Non-monetary benefits $	Other $
Non-Executive Directors				
S J C Wise (Chairman)	141,870	–	–	–
D W Bailey	73,395	–	–	–
B J Gibson[(1)]	73,395	–	–	–
P C Lockyer	73,395	–	–	–
R K Rae[(8)]	16,718	–	–	–
H G Tuten[(2)]	–	–	–	–
Total Non-Executive Directors	**378,773**	**–**	**–**	**–**
Executive Director				
E Eshuys	636,871	125,000	2,223	–
Other key management personnel				
I Bird[(5)(6)]	386,870	10,000	2,223	–
G Campbell-Cowan	336,870	72,500	2,223	–
G Viska	284,492	22,500	1,174	23,015[(7)]
R Kennedy	236,870	63,400	2,223	–
P Thompson[(5)]	236,870	32,500	2,223	–
Total senior executives	**2,118,843**	**325,900**	**12,289**	**23,015**

(1) B Gibson elected in lieu of receiving Directors fees as salary to participate in the Non-Executive Directors' Share Plan from 1 October 2007 up to, and including, 31 March 2008.

(2) HG Tuten elected not to receive directors' fees. Mr Tuten resigned on 21 January 2008.

(3) The value of options disclosed as remuneration is the portion of the fair value of the options recognised in the reporting period. These options were granted in previous years pursuant to terms approved by shareholders.

(4) Represents the long service leave expense accrued for the period.

(5) Mr Bird and Mr Thompson resigned on 4 July 2008.

(6) The value of options issued to Mr Bird in 2007 has not been included in remuneration on the basis that these options lapsed following his resignation effective 4 July 2008, and no amount was recognised in the reporting period.

(7) Living away from home allowance.

(8) Mr R Rae was appointed a Director on 9 April 2008.

Post-employment benefits						
Super-annuation $	Long Service Leave(6) $	Share-based payments: options(3) $	Termination payments $	Total $	Proportion of total performance related	Value of options as % of total
13,129	–	–	–	154,999	–	–
6,606	–	–	–	80,001	–	–
6,606	–	–	–	80,001	–	–
6,606	–	–	–	80,001	–	–
1,505	–	–	–	18,223	–	–
–	–	–	–	–	–	–
34,452	**–**	**–**	**–**	**413,225**		
13,129	28,353	103,404	–	908,980	13.8%	11.4%
13,129	–	–	–	412,222	2.4%	–
13,129	4,707	273,358	–	702,787	10.3%	38.9%
12,072	7,465	–	–	350,718	6.4%	–
13,129	9,421	–	–	325,043	19.5%	–
13,129	5,835	–	–	290,557	11.2%	–
77,717	**55,781**	**376,762**	**–**	**2,990,307**		

Remuneration report cont.

B Details of remuneration cont.

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

The table below provides the percentage of fixed remuneration which senior executives did earn under the short term incentive (STI), based on relevant performance measures having been met.

2009	Maximum potential STI		Actual STI included in remuneration	% of maximum "Target" STI earned	% of maximum potential total STI earned	% of maximum potential total STI foregone
	Target	Stretch	$			
T J Lehany	133,333(1)	266,667(1)	120,000	90%	30%	70%
E Eshuys	1,330,000(2)	–	480,000	36%	36%	64%
M Reed	50,000(1)	100,000(1)	42,780	41%	29%	71%
G Campbell-Cowan	154,000	308,000	154,000	50%	33%	67%
A McArthur	100,000	200,000	85,000	60%	28%	72%
R Kennedy	120,000	180,000	120,000	44%	40%	60%

(1) Applied pro-rata for period of employment.

(2) Amount of $1,330,000 covers both potential maximum Target and Stretch STIs in aggregate.

Target performance represents challenging but achievable levels of performance. The performance measures are split 50/50 between Company and individual executive performance measures, and comprise financial and non-financial measures. The individual performance measures vary depending on the individual executive's position.

Stretch performance requires significant performance above and beyond normal expectations and if achieved is anticipated to result in a substantial improvement in key operational areas, financial results, and/or the financial position of the Company. The tier 2 performance measures are also split 50/50 between Company and individual executive performance measures.

Amounts included in remuneration as actual cash STI for the financial year represent the amounts accrued in relation to the 2009 financial year, based on achievement of the specified performance criteria. No additional amounts vest in future years in respect of the bonus schemes for the 2009 financial year.

Short term incentives paid in respect of the 2009 financial year reflected achievement of some Company performance measures and some individual performance areas. Achieved Company measures comprised improved safety performance (classified Injury Frequency Rate decreased from 16 to 6) and the achievement of significant cost reductions.

Individual performance measures achieved reflected value accretive and/or risk mitigation achievements for the benefit of the Company and Shareholders.

(iii) Payments made to Mr E Eshuys on ceasing employment with the Company

Mr Eshuys, the former Managing Director & CEO, ceased employment with the Company on 2 March 2009. In accordance with the terms of his employment contract, Mr Eshuys received a termination payment of 12 months fixed remuneration which equated to $825,000, and a payment for unpaid fixed remuneration for the balance of his contract to 31 December 2009, amounting to $688,500. Mr Eshuys also received payments for other entitlements and accrued benefits as follows:

- Pro-rata STI and related performance – $480,000 as detailed in the table under (ii) above.
- Accrued leave – $154,294 representing all remaining annual leave and pro-rated long service leave due to Mr Eshuys at the time his employment ceased, calculated at the fixed remuneration rate.

No share-based compensation was granted to Mr Eshuys during the year.

Applicable taxation was deducted from the above payments.

Under the terms of a consultancy contract which commenced on 3 March 2009, Mr Eshuys is providing consulting services to the Company for a minimum fee of $10,000 per month. The agreement expires on 2 March 2010. Either party may terminate the agreement by giving one month's notice.

Remuneration report cont.

B Details of remuneration cont.

(iv) Performance of St Barbara Limited

In assessing 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	2009 $	2008 $	2007 $	2006 $	2005 $
Sales revenue	**281,129,000**	143,129,000	130,911,000	115,263,000	46,553,000
EBITDA	**39,701,000**	12,340,000	28,364,000	13,577,000	15,051,000
Net profit/(loss) after tax[1]	**(76,344,000)**	(17,333,000)	(2,894,000)	6,019,000	6,831,000

(1) Net profit amounts for 2005 were calculated in accordance with previous Australian Generally Accepted Accounting Principles. Net profit amounts for 2006 to 2009 were calculated in accordance with the Australian equivalents of International Financial Reporting Standards (A-IFRS) adopted by the Australian Accounting Standards Board.

The table below provides the share price performance of the Company's shares in the 2009 financial year and the previous four financial years.

Shareholder wealth	2009	2008	2007	2006	2005
Period end share price (cents per share)	**23**	37	49	57	10
Average share price for the year (cents per share)	**29**	64	54	40	7

During the 2009 financial year, the Company's daily closing share price traded in a range of 19 to 52 cents per share (2008: 35 to 89 cents per share).

C Share-based compensation

(i) Options

Employee options issued to Mr Lehany, Managing Director & CEO, were approved by shareholders at the Extraordinary General Meeting held on 5 May 2009. All 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:

2009	Number of options granted during 2009	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 2009
T J Lehany	1,508,099	6 May 2009	0.20	0.40	2 March 2014	–
G Campbell-Cowan	1,207,160	6 May 2009	0.20	0.43	3 April 2014	–
G Campbell-Cowan	–	–	–	–	–	1,000,000
R Kennedy	940,644	6 May 2009	0.20	0.43	3 April 2014	–
A McArthur	738,870	6 May 2009	0.20	0.43	3 April 2014	–
A McArthur	–	–	–	–	–	250,000

Note: The vesting date for options granted on 6 May 2009 is 30 June 2012.

Remuneration report cont.

C Share-based compensation cont.

(i) Options cont.

2008	Number of options granted during 2008	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 2008
E Eshuys	–	–	–	–	–	5,000,000
A McArthur	–	–	–	–	–	250,000
G Campbell-Cowan	–	–	–	–	–	1,000,000

The options were provided at no cost to the senior executives. The vesting of options granted in 2009 is subject to a continuing service condition as at each vesting date, and achieving a relative Total Shareholder Return for the period from the option pricing date to 30 June 2012. No options have been granted since the end of the financial year. The Total Shareholder Return is measured against a defined peer group of companies:

Relative TSR Performance Over Measurement Period	% of Right to Vest
<50th percentile	0%
50th percentile	50%
>50th & <75th percentiles	Pro-rata between 50% & 100%
75th percentile and above	100%

The peer group against which Total Shareholder Return is measured comprises:

Company	
Newcrest Mining Limited	Independence Group NL
Lihir Gold Limited	Dominion Mining Limited
Sino Gold Mining Limited	Lion Selection Limited
Kingsgate Consolidated Limited	Apex Minerals NL
Avoca Resources Limited	OceanaGold Corporation

The Board reserves the right to make minor changes to the peer group to allow for changing circumstances (e.g. takeover) for peer group companies.

All options expire on the earlier of their expiry date, thirty days after resignation of the relevant executive 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 performance hurdle (relative Total Shareholder Return) 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 36 to the Financial Statements.

Remuneration report cont.

C Share-based compensation cont.

(ii) Exercise of options granted

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

2009	Number of shares issued	Amount paid (cents per share)
E Eshuys	5,000,000	11.8

2008	Number of shares issued	Amount paid (cents per share)
E Eshuys	5,000,000	11.8

(iii) Analysis of movements in the value of options granted and exercised

2009	A	B	C
	Granted in year $	Exercised in year $	Lapsed in year $
T J Lehany	301,000	–	–
E Eshuys	–	2,100,000	–
G Campbell-Cowan	243,000	–	–
R Kennedy	189,000	–	–
A McArthur	149,000	–	–

A The value of options granted in the year is the fair value of the options calculated at grant date using a Black-Scholes 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 Black-Scholes option-pricing model.

(iv) Analysis of options granted as compensation

2009	Options granted					Value yet to vest	
	Number	Date	% vested in year	% forfeited in year	Financial year options vest	Minimum (A) $	Maximum (B) $
T J Lehany	1,508,099	6 May 2009	–	–	30 June 2012	Nil	286,617
G Campbell-Cowan	1,207,160	6 May 2009	–	–	30 June 2012	Nil	231,388
G Campbell-Cowan	1,000,000	11 Sept 2006	100	–	30 June 2009	Nil	–
R Kennedy	940,644	6 May 2009	–	–	30 June 2012	Nil	179,969
A McArthur	738,870	6 May 2009	–	–	30 June 2012	Nil	141,880
A McArthur	250,000	1 July 2006	100	–	30 June 2009	Nil	–

A The minimum value of options yet to vest is $nil as the vesting service conditions, which are continuing service conditions and relative Total Shareholder Returns over a three year period, are still to be satisfied.

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.

Remuneration report cont.

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.

T J Lehany – Managing Director & CEO

- Term of agreement – permanent employee commencement 2 March 2009.
- Payment of a termination benefit or early termination by the Company, other than for serious misconduct or serious breach of duty:
  - (a) Where 6 months notice of termination is given; an additional 6 months base salary and superannuation payment, and any entitlement to a "stretch performance" payment plus an amount equivalent to six months of notional "target performance" payment (at the discretion of the Board); or
  - (b) Where notice of immediate termination is given, 12 months base salary and superannuation, plus an amount equivalent to 12 months of a notional "target performance" payment (at the discretion of the Board).

M Reed – Chief Operating Officer

- Term of agreement – Twelve month fixed term contract commencing 12 January 2009.
- Payment of a termination benefit on early termination by the company, other than for gross misconduct, equal to 3 months base salary and superannuation.

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, equal to 6 months base salary and superannuation.

R Kennedy – General Manager 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, equal to 6 months base salary and superannuation.

A McArthur, Acting General Manager Exploration

- Term of agreement – permanent employee commencement 19 June 2006.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 6 months base salary and superannuation.

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 section 307C of the *Corporations Act 2001* is set out on page 42. 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, Mr Hank Tuten, Mr Mark Wheatley and Mr Eduard Eshuys) and current and former executive officers of the Company and its controlled entities against all liabilities to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as Director or executive officer, unless the liability relates to conduct involving bad faith. The Company also has a policy to indemnify the Directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

During the year the Company paid an insurance premium for Directors and Officers Liability and Statutory Liability policies. The contract of insurance prohibits disclosure of the amount of the premium and the nature of the liabilities insured under the policy.

During the year the Company also paid the premium on a Personal Accident insurance policy on behalf of directors, to insure them for travel while on Company business.

Proceedings on behalf of the company

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

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

Environmental Management

The Company regards compliance with environmental regulations as the minimum performance standard for its operations. The Company's operations in Western Australia are subject to environmental regulation under both Commonwealth and State legislation.

There were a total of four non-compliances registered and externally reported for the Southern Cross operations during the 2009 financial year. At Leonora there were sixteen non-compliances registered and externally reported. The substantial increase in the number of incidents reported from Leonora reflects the change in status of the operation from development to construction and production. These incident were not material and the formal reporting of the incidents did not generate any additional requirements or investigations from regulators, and environmental impacts are managed through ongoing mitigation and monitoring procedures.

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, for audit and non-audit services provided during the year are set out in Note 26 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 annually informs the Board of the detail, 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, except for the following items:

- On 5 August 2009, the Company announced the disposal of its 9.7% investment in the shares of Bendigo Mining Limited for proceeds of $9,906,800. The disposal of this investment will give rise to a net profit on sale recognised in the Income Statement in the 2009-10 financial year of $2,724,000 and the reversal of the fair value reserve representing the movement in the fair value of the shares as at 30 June 2009.
- On 21 August 2009, the Company entered into a A$50,000,000 Equity Line standby facility from US-based investment fund YA Global Master SPV Ltd ("YA Global"), which is managed by US-based Yorkville Advisors LLC. Under the terms of the facility St Barbara may, at its discretion, issue ordinary shares to YA Global at any time over a 60 month period up to a total of A$50,000,000. The Company nominates in advance the amount in relation to each draw down under the facility. The advance amount for the first and second draw down is limited to $750,000 and $1,500,000 respectively, and thereafter the advance amount may not exceed $3,000,000 in any 10-day trading period.

  Shares issued to YA Global would be priced at the lowest of the daily volume weighted average prices of the Company's shares traded on each of the 10 trading days following an advance notice by St Barbara. A commission of 4% will be payable to YA Global on the proceeds of each issue of shares at the time of the issue.

  This standby facility provides the consolidated entity with funding flexibility while it evaluates and negotiates other sources of longer term finance, and completes the divestment of non-core assets.

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 25th day of August 2009.

Tim J Lehany
Managing Director & CEO

KPMG

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 2009, there have been:

i. no contraventions of the auditor independence requirement 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
25 August 2009

FINANCIAL REPORT

For the year ended 30 June 2009

This financial report covers both St Barbara 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 14, 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 25 August 2009. The Company has the power to amend and reissue the financial report.

INCOME STATEMENTS

For the year ended 30 June 2009

		Consolidated		Parent Entity	
	Notes	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Revenue from continuing operations	5	**281,129**	143,129	**281,129**	143,129
Mine operating costs		**(185,794)**	(84,486)	**(185,794)**	(84,486)
Gross profit		**95,335**	58,643	**95,335**	58,643
Other revenue	5	**5,411**	4,846	**5,411**	4,846
Other income	6	**223**	195	**223**	280
Exploration expensed		**(13,442)**	(28,531)	**(13,442)**	(28,531)
Corporate and support costs	8	**(27,089)**	(22,730)	**(27,089)**	(22,730)
Royalties		**(11,042)**	(6,162)	**(11,042)**	(6,162)
Depreciation and amortisation	7	**(110,104)**	(30,779)	**(110,104)**	(30,779)
Other expenditure		**(1,759)**	(2,197)	**(1,759)**	(2,197)
Operating loss		**(62,467)**	(26,715)	**(62,467)**	(26,630)
Finance costs	7	**(8,996)**	(3,008)	**(8,996)**	(3,008)
Net realised/unrealised gains on derivatives		**1,451**	16,834	**1,451**	16,834
Net realised/unrealised loss on available-for-sale assets	8	**(6,332)**	(4,876)	**(6,332)**	(4,876)
Loss before income tax		**(76,344)**	(17,765)	**(76,344)**	(17,680)
Income tax benefit	9	**–**	432	**–**	432
Loss after income tax		**(76,344)**	(17,333)	**(76,344)**	(17,248)
Earnings per share for loss attributable to the ordinary equity holders of the Company:					
Basic loss per share (cents per share)	35	**(5.63)**	(1.66)		
Diluted loss per share (cents per share)	35	**(5.63)**	(1.66)		

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

BALANCE SHEETS

As at 30 June 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Assets					
Current assets					
Cash and cash equivalents	10	**53,692**	35,517	**53,692**	35,517
Trade and other receivables	11	**34,936**	32,285	**34,938**	32,287
Inventories	12	**31,058**	21,038	**31,058**	21,038
Derivative financial assets	13	**–**	203	**–**	203
Available-for-sale financial assets	15	**13,869**	–	**13,869**	–
Deferred mining costs	14	**16,196**	15,923	**16,196**	15,923
Total current assets		**149,751**	104,966	**149,753**	104,968
Non-current assets					
Available-for-sale financial assets	15	**–**	13,941	**–**	13,941
Property, plant and equipment	17	**117,628**	72,788	**117,628**	72,788
Deferred mining costs	14	**6,472**	16,139	**6,472**	16,139
Mine properties	18	**185,341**	161,187	**185,341**	161,187
Exploration and evaluation	19	**8,219**	25,778	**8,219**	25,778
Derivative financial assets	13	**–**	34,647	**–**	34,647
Other financial assets	20	**–**	–	**178**	178
Total non-current assets		**317,660**	324,480	**317,838**	324,658
Total assets		**467,411**	429,446	**467,591**	429,626
Liabilities					
Current liabilities					
Trade and other payables	21	**38,376**	59,273	**49,777**	70,674
Interest bearing borrowings	22	**83,567**	2,367	**83,567**	2,367
Provisions	23	**5,792**	3,049	**5,792**	3,049
Total current liabilities		**127,735**	64,689	**139,136**	76,090
Non-current liabilities					
Interest bearing borrowings	22	**13,974**	98,570	**13,974**	98,570
Provisions	23	**29,230**	29,523	**29,230**	29,523
Total non-current liabilities		**43,204**	128,093	**43,204**	128,093
Total liabilities		**170,939**	192,782	**182,340**	204,183
Net Assets		**296,472**	236,664	**285,251**	225,443
Equity					
Contributed equity	24	**496,176**	366,466	**496,176**	366,466
Reserves	25(a)	**8,960**	2,518	**8,960**	2,518
Accumulated losses	25(b)	**(208,664)**	(132,320)	**(219,885)**	(143,541)
Total equity		**296,472**	236,664	**285,251**	225,443

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

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

For the year ended 30 June 2009

		Consolidated		Parent Entity	
	Notes	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Changes in fair value of available-for-sale financial assets, net of tax	25	**6,687**	–	**6,687**	–
Income and expense recognised directly in equity		**6,687**	–	**6,687**	–
Loss for the year		**(76,344)**	(17,333)	**(76,344)**	(17,248)
Total recognised income and expense for the year		**(69,657)**	(17,333)	**(69,657)**	(17,248)
Attributable to equity holders of the company		**(69,657)**	(17,333)	**(69,657)**	(17,248)

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 2009

		Consolidated		Parent Entity	
	Notes	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash Flows From Operating Activities:					
Receipts from customers (inclusive of GST)		**282,380**	142,672	**282,380**	142,672
Payments to suppliers and employees (inclusive of GST)		**(251,928)**	(114,379)	**(251,928)**	(114,379)
Interest received		**2,940**	5,181	**2,940**	5,181
Interest paid		**(7,653)**	(8,000)	**(7,653)**	(8,000)
Finance charges – finance leases		**(1,223)**	(262)	**(1,223)**	(262)
Borrowing costs		**(192)**	(220)	**(192)**	(220)
Net cash inflow from operating activities	33	**24,324**	24,992	**24,324**	24,992
Cash Flows From Investing Activities:					
Proceeds from sale of property, plant and equipment		**73**	14	**73**	14
Proceeds from sale of subsidiary		**–**	1,000	**–**	1,000
Proceeds on sale of available-for-sale financial assets		**428**	–	**428**	–
Payments for property, plant and equipment		**(48,567)**	(60,664)	**(48,567)**	(60,664)
Payments for development of mining properties		**(71,502)**	(51,666)	**(71,502)**	(51,666)
Payments in respect of mines under construction		**(28,682)**	(68,721)	**(28,682)**	(68,721)
Payments for tenements and land		**(388)**	(105)	**(388)**	(105)
Exploration and Evaluation expenditure		**(15,990)**	(36,962)	**(15,990)**	(36,962)
Payments for derivatives		**–**	(386)	**–**	(386)
Put option premiums paid		**–**	(4,480)	**–**	(4,480)
Proceeds on close out of put options		**36,300**	–	**36,300**	–
Net cash outflow from investing activities		**(128,328)**	(221,970)	**(128,328)**	(221,970)
Cash Flows From Financing Activities:					
Proceeds from issue of shares on conversion of options		**590**	1,446	**590**	1,446
Proceeds from borrowings: – finance leases		**1,696**	276	**1,696**	276
– insurance premium funding		**2,632**	2,330	**2,632**	2,330
Proceeds from equipment financing facility		**20,000**	–	**20,000**	–
Equipment financing facility transaction costs		**(365)**	–	**(365)**	–
Buy back of convertible notes		**(20,565)**	–	**(20,565)**	–
Convertible notes transaction costs		**(791)**	(114)	**(791)**	(114)
Proceeds from equity raisings		**133,861**	161,741	**133,861**	161,741
Equity raising transaction costs		**(5,354)**	(5,417)	**(5,354)**	(5,417)
Movement in unclaimed monies		**(4)**	(12)	**(4)**	(12)
Movement in restricted cash		**(3,742)**	(12,482)	**(3,742)**	(12,482)
Principal repayments – finance leases		**(669)**	(456)	**(669)**	(456)
– equipment financing facility		**(2,621)**	–	**(2,621)**	–
– insurance premium funding		**(2,489)**	(2,186)	**(2,489)**	(2,186)
Net cash inflow from financing activities		**122,179**	145,126	**122,179**	145,126
Net increase/(decrease) in cash & cash equivalents		**18,175**	(51,852)	**18,175**	(51,852)
Cash and cash equivalents at the beginning of the year		**35,517**	87,369	**35,517**	87,369
Cash & cash equivalents at the end of the year	10	**53,692**	35,517	**53,692**	35,517

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

Note 1 Summary of significant accounting policies

St Barbara Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group"), and the Group's interest in associates and jointly controlled entities. The Group is primarily involved in the exploration for, and mining of, gold.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The 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*. Where required by accounting standards comparative figures have been adjusted to conform to changes in presentation in the current year. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 25 August 2009.

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 at fair value, and financial assets and liabilities (including derivative instruments) held at fair value through profit or loss.

Critical accounting estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Going concern basis

The accounts are prepared on a going concern basis. An entity is a going concern when it is considered to be able to pay its debts as and when they are due, and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations.

The Company has $77,100,000 of outstanding convertible notes on issue at 30 June 2009. 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 (4 June 2010). Due to this option date, the notes have been classified as a current liability in the balance sheet at 30 June 2009. The current cash flow forecast of the consolidated entity does not support the full redemption of the convertible notes on 4 June 2010. To manage the refinancing risk associated with the full redemption of these convertible notes the consolidated entity has taken a number of initiatives.

On 21 August 2009 YA Global and the Company entered into a $50 million Equity Line of Credit. This facility provides certainty for the Company with access to cash if required to support any redemption of the convertible notes. The Company nominates the advance amount in relation to each draw down under the facility. The advance amount for the first and second draw down is limited to $750,000 and $1,500,000 respectively, and thereafter the advance amount shall not exceed $3,000,000 in any 10-day trading period.

The Company is also pursuing non-core asset divestments, and subsequent to 30 June 2009, the consolidated entity has disposed of its investment in Bendigo Mining Limited that was shown as available-for-sale at 30 June 2009, as set out in Note 15.

At the date of this report, the directors have a reasonable expectation that the Company has potential sources of financing and expected future operating cash flows to support the adoption of the going concern basis in preparing the financial report.

(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 2009 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.

Note 1 Summary of significant accounting policies cont.

(b) Principles of consolidation cont.

(i) Subsidiaries cont.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, 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 jointly controlled entities

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of voting rights. An interest in an associate and a jointly controlled entity is accounted for in the consolidated financial 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.

(iii) Jointly controlled operations and assets

Details of unincorporated joint ventures and jointly controlled assets are set out in Note 31.

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 have been transferred to the buyer, the amount of revenue can be reliably measured, and the associated costs and possible return of goods can be estimated reliably, and it is probable that future economic benefits will flow to the Group.

Note 1 Summary of significant accounting policies cont.

(e) Revenue recognition cont.

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

Feasibility expenditure represents costs related to the preparation and completion of a feasibility study to enable a development decision to be made in relation to that area of interest. Feasibility expenditures are expensed as incurred until a decision has been made to develop the area of interest.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable 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 capitalised exploration, evaluation and feasibility expenditure in respect of the area of interest is aggregated with the costs of construction and classified under non-current assets as mine development.

(iii) Mine development

Mine development 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 prospectively from the beginning of the period.

Note 1 Summary of significant accounting policies cont.

(g) Deferred mining expenditure

Certain mining costs, principally those that relate to the stripping of waste and operating development, which provide access so that future economically recoverable ore can be mined, are deferred in the balance sheet as deferred mining. Waste removal costs incurred in the development of a mine before production commences are capitalised as part of the mine development costs, which are subsequently depreciated over the life of the operation.

Removal of waste incurred once an operation commences production is capitalised as mine development costs. A proportion of the development and production waste costs are charged to the income statement as an operating cost. These costs are taken to production costs on the basis 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.

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 an operating cash flow.

(i) Leases

Leases of property, plant and equipment, where the consolidated entity 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 are 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 straightline 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.

Note 1 Summary of significant accounting policies cont.

(j) Business combinations cont.

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 a pre-tax discount rate which reflects 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).

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds the recoverable amount. Impairment losses are recognised in the income statement.

(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.

(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.

Funds placed on deposit with financial institutions to secure bank guarantees are classified in the balance sheet as other receivables.

(n) Inventories

Raw materials and stores, ore stockpiles, work-in-progress and finished gold stocks are valued at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure relating to mining activities, the latter being allocated on the basis of normal operating capacity. Costs are assigned to 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 continued 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 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 de-recognition.

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 reevaluates this designation at each reporting date.

Note 1 Summary of significant accounting policies cont.

(p) Investments and other financial assets cont.

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

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

Financial assets at fair value through profit or loss are financial assets held for trading, which were acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading, unless they are designated as hedges. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in the income statement. 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 11.

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-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets, unless management intends to dispose of the investment within 12 months of the balance sheet date.

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

(q) Derivative financial instruments

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 13. Movements in the hedging reserve in shareholders' equity are shown in Note 25.

(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.

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.

Note 1 Summary of significant accounting policies cont.

(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 the fair value of the notes.

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 generally accepted valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

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

(t) Property, plant and equipment

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

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

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

– Buildings	10 years
– Plant and equipment	3 – 10 years
– Fixtures and fittings	10 – 15 years

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

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

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These gains and losses are included in the income statement when realised.

(u) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which remains unpaid as at reporting date. 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 nonconvertible 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.

Note 1 Summary of significant accounting policies cont.

(v) Borrowings cont.

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 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.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has commenced or has been announced publicly. Future operating costs are not provided for.

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

(y) Employee benefits

(i) Wages and salaries, and annual leave

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

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made, plus expected on-costs, in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted 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 36.

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

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

(v) Executive 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. The Group recognises a liability and an expense for bonuses in the reporting period during which the service was provided by the employee.

(vi) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before normal retirement date.

Note 1 Summary of significant accounting policies cont.

(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, 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 is recognised directly in equity.

(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

Funds placed on deposit with financial institutions to secure bank guarantees are classified as current receivables.

(ac) Rehabilitation and mine closure

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.

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* requires a provision to be made for the estimated cost of rehabilitation and restoration of areas disturbed during mining operations up to reporting date but not yet rehabilitated. Provision has been made in full for all the disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of contouring, topsoiling and revegetation to meet legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

There is some uncertainty as to the amount of rehabilitation obligations that will be incurred due to the impact of changes in environmental legislation and many other factors, including future developments, changes in technology and price increases.

At each reporting date the rehabilitation liability is remeasured in line with changes in the timing and /or amounts of the costs to be incurred and discount rates. The liability is adjusted for changes in estimates. Adjustments to the estimated amount and timing of future rehabilitation and restoration cash flows are a normal occurrence in light of the significant judgments and estimates involved.

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

(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 the 30 June 2009 reporting date. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below:

(i) Revised AASB 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Note 1 Summary of significant accounting policies cont.

(ae) New accounting standards and interpretations cont.

Revised AASB 3, which becomes mandatory for the Group's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements.

(ii) Amended AASB 127 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have a significant impact on the consolidated financial statements.

(iii) AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require a change in the presentation on and disclosure of segment information, based on the internal reports regularly reviewed to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see Note 4). Under the management approach, the Group will present segment information in respect of each operating mine site.

(iv) Revised AASB 101 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statements, is not expected to have a significant impact on the presentation of the consolidated financial statements.

(v) Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and is consistent with the Group's current accounting policy. Therefore there will be no impact on prior periods in the Group's 30 June 2010 financial statements.

(vi) AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

(vii) AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and 2008-6 *Further Amendments to Australian Accounting Standards arising from The Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have any impact on the Group's financial statements.

(viii) AASB 2008-7 *Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amendments.

(ix) AASB 2008-8 *Amendments to Australian Accounting Standard – Eligible Hedged Items* clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged. The amendments become mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

Note 2 Financial risk management

This note presents information about each of the financial risks that the Company and Group is exposed to, the policies and processes for measuring and managing financial risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Group's activities expose it to a variety of financial risk, market risk (especially gold price and exchange rate 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 manage certain risk exposures.

Risk management is carried out by a centralised treasury function in accordance with policies approved by the Board of Directors.

(a) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Group may enter into derivatives, and also incur financial liabilities, in order to manage market risks. All such transactions are carried out within guidelines set by the Board.

(i) Commodity price risk

The Group is exposed to United States dollar gold price risk. This risk arises through the sale of gold.

The table below shows the effect of the 5 year average annual Australian dollar gold price movement on the income statement and trade receivables balance at year end:

	5 year average annual price movement	Change in trade receivables	
		2009 $'000	2008 $'000
Commodity: gold (AUD)	16%	**676**	806

The Group may, from time to time, use gold derivatives to manage commodity price risk. The Group generally seeks to apply hedge accounting in order to manage volatility in profit and loss. During the year, the Company closed out its gold put options, which were predominantly taken out to underpin the investment return on the Gwalia development. As a consequence of the substantial increase in the Australian dollar gold price, and significant increase in the mark-to-market value of those options, together with the commencement of production at Gwalia, the Company decided that the options were no longer required, and that the proceeds from a close out could be more effectively deployed.

At 30 June 2009, the Group did not hold any derivative instruments to hedge against movements in the gold price, however this is reviewed by the Board as part of the risk management framework.

(ii) Currency risk

The Group is exposed to Australian dollar currency risk on gold sales, denominated in US dollars. The Group may from time to time use Australian dollar derivatives to manage the commodity and currency rates.

(iii) Equity securities price risk

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

All of the Group's equity investments are in resource companies listed on the Australian Securities Exchange.

The table below summarises the impact of increases/decreases of the All Ordinaries and Resources indices on the Group's post-tax result for the year, and on equity for equity investments held at 30 June 2009. The analysis is based on the assumption that the equity indices had increased/decreased by the percentages shown, with all other variables held constant, and all the Group's equity instruments moved in line with changes in indices.

	Index movement		Impact on post-tax result		Impact on equity	
	2009 %	2008 %	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
All Ordinaries	**(25)**	(15)	**(1,151)**	(832)	**(2,687)**	–
S&P/ASX 300 Metals & Mining	**(35)**	22	**(1,552)**	(7,263)	**(3,623)**	–

Note 2 Financial risk management cont.

(a) Market risk cont.

(iii) Equity securities price risk cont.

Post-tax result for the year would increase/(decrease) as a result of gains/(losses) on equity securities carried at fair value through profit or loss. Equity would further increase/(decrease) as a result of gains/(losses) on equity securities classified as available-for-sale.

(iv) Interest rate risk

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's interest rate policy does not require a fixed and pre-determined proportion of its interest rate exposure to be hedged. Any decision to hedge interest rate risk will be assessed at the inception of each floating rate debt facility in relation to the overall Group exposure, the prevailing interest rate market, and any funding counterparty requirements.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract. The Group is exposed to credit risk from its operating activities (primarily customer receivables) and from its financing activities, including deposits with banks and financial institutions.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets, other than available-for-sale assets.

Credit risks related to receivables

The Group has no significant concentrations of receivables related credit risk, with revenues primarily derived from gold sales direct to refiners. Based on historic rates of default, the Group believes that no impairment has occurred with respect to trade receivables, which includes the amount owed by the Group's most significant customer. The Group's most significant customer accounts for $4,192,000 of the trade receivables carrying amount at 30 June 2009 (2008: $5,001,000). None of the trade receivables at 30 June 2009 were past due.

Credit risks related to cash deposits

Credit risk from balances with banks and financial institutions is managed by the centralised Treasury function in accordance with Board approved policy. Investments of surplus funds are only made with approved counterparties (minimum Standard & Poor's credit rating of "AA-") and with credit ratings assigned to each counterparty and there is a financial limit on funds placed with any single counterparty.

(c) Capital management

The Group's total capital is defined as total shareholders' funds plus net debt.

Consolidated capital	2009 $'000	2008 $'000
Total shareholders' funds	**296,472**	236,664
Borrowings	**97,541**	100,937
Cash and cash equivalents	**(53,692)**	(35,517)
Total capital	**340,321**	302,084

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

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

Cash and cash equivalents does not include cash held on deposit with a financial institution as security for a bank guarantee facility totalling $24,339,000 (2008: $20,597,000) at the reporting date.

Borrowings include $77,100,000 of convertible notes on issue (2008: $100,000,000). The holder of each Note has the right to convert such Note into shares of the Company at any time during a specified conversion period. The Notes have a maturity date of 4 June 2012 and Note holders have the right to require the Company to repurchase all or a portion of their Notes on 4 June 2010. In addition, in the event of a default the Company may be required to pay all amounts then due in accordance with the terms and conditions of the Notes. While the Notes remain outstanding, the Group is not to incur any financial indebtedness, subject to certain exceptions set out in the terms of the Notes.

Note 2 Financial risk management cont.

(c) Capital management cont.

On 13 August 2008 the Company signed a $20,000,000 loan facility agreement with GE Commercial Finance to fund the construction and purchase of certain infrastructure assets at Gwalia. The facility is secured against the equipment financed and is repayable over 48 months. The interest rate is the 90 day bank bill rate plus an interest margin of 2.8%. Under the terms of the GE facility, there are a number of undertakings related to the performance of the Company's operations, and non-compliance with these undertakings could constitute an event of default. Under the terms of facility the Company has up to 90 days to remedy or rectify a non-compliance event in relation to the operational undertakings. As at the reporting date, the Company had reported a non-compliance event, but was not in default of the facility agreement. Subsequent to the reporting date the non-compliance event was rectified.

(d) Liquidity risk

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

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Surplus funds are invested in instruments that are tradeable in highly liquid markets.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Maturity of financial liabilities – 2009					
$'000	Less than 6 months	6 – 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Convertible notes[(1)]	3,084	80,184	–	–	83,268	77,100
Finance lease liabilities	564	466	1,671	–	2,701	2,484
Equipment finance facility	2,833	2,866	13,520	–	19,219	17,464
Insurance premium funding liability	1,345	620	–	–	1,965	1,906
Trade and other payables	38,376	–	–	–	38,376	38,376
	46,202	84,136	15,191	–	145,529	137,330

(1) The Convertible notes are due on 4 June 2012 and are convertible into fully paid ordinary shares of the Company at the election of the holder. On 4 June 2010, the holders of the convertible notes have the right to require repayment of the principal plus accrued interest. Due to this option right on 4 June 2010, the convertible notes are deemed to be due on this date, and the contractual cash flows include interest at the coupon of 8% per annum only to 4 June 2010.

	Maturity of financial liabilities – 2008					
$'000	Less than 6 months	6 – 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Convertible notes	4,000	4,000	108,000	–	116,000	100,000
Finance lease liabilities	351	307	869	–	1,527	1,495
Insurance premium funding liability	1,212	606	–	–	1,818	1,763
Trade and other payables	59,273	–	–	–	59,273	59,273
	64,836	4,913	108,869	–	178,618	162,531

Note 2 Financial risk management cont.

(e) Fair value estimation

On-Balance Sheet

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

Off-Balance Sheet

The consolidated entity has potential financial liabilities that may arise from the contingency disclosed in Note 27. As explained in that note, no material losses are anticipated in respect of any of that contingency, subject to the outcome of the judgement and any subsequent appeal in the Kingstream matter. Fair values for off-balance sheet assets or liabilities are the Directors' estimate of amounts which would be payable by the consolidated entity as consideration for the assumption of those contingencies by another party.

Fair values

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

	2009		2008	
	Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial assets				
– Cash and cash equivalents	**53,692**	**53,692**	35,517	35,517
– Restricted cash	**24,339**	**24,339**	20,597	20,597
– Receivables	**8,120**	**8,120**	9,457	9,457
– Available-for-sale financial assets	**13,869**	**13,869**	13,941	13,941
– Gold put options	**–**	**–**	34,786	34,786
– Listed options	**–**	**–**	64	64
	100,020	**100,020**	114,362	114,362
Financial liabilities				
– Payables	**38,376**	**38,376**	59,273	59,273
– Convertible notes[(1)]	**77,100**	**74,683**	100,000	92,469
– Equipment financing facility	**17,464**	**16,401**		
– Other loans	**4,390**	**4,154**	3,258	3,258
	137,330	**133,614**	162,531	155,000

(1) The fair value of the convertible notes was determined on the basis that the notes will be on issue until 4 June 2010, at which time the holders of the notes have the option to require repayment. The notes have an expiry date of 4 June 2012.

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 consolidated entity 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.

Note 3 Critical Accounting Estimates And Judgements cont.

(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, short and long term commodity prices and exchange rates.

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

The consolidated entity determines and reports ore reserves under the Australian Code for Reporting of Mineral Resources and Ore Reserves December 2004, 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 impacted due to changes in estimated future cash flows.
- Depreciation and amortisation charged in the income statement may change where such charges are calculated using the units of production basis.
- Waste stripping costs deferred in 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 in relation to reserves and resources, metallurgy and the complexity of future capital development requirements; changes to these estimates and assumptions will impact the amortisation charge in the income statement and asset carrying values.

(iii) 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 discount rate appropriate to the risks inherent in the asset.

Given the nature of the consolidated entity's mining activities, future changes in assumptions upon which these estimates are based may give rise to a material adjustment to the carrying value of the CGU. This could lead to the recognition of impairment losses in the future. The 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.

Note 3 Critical Accounting Estimates And Judgements cont.

(iii) Impairment of assets cont.

Value in use in relation to the Group's Leonora and Southern Cross cash generating units at 30 June 2009 was determined by discounting the future cash flows generated from the continuing use of each operation and was based on the following key assumptions:

- Cash flows were projected based on the life of mine plan of each operation, which is predominantly based on ore reserves.
- Revenue was projected at a gold price of A$1,200 per ounce for the first three years of the life of mine plans, and a long term gold price of A$850 per ounce.
- Cash operating costs were not inflated (expressed in real terms).
- A pre-tax discount rate of 9% based on the weighted average cost of capital.

The above estimates are particularly sensitive to a change in the gold price.

(iv) Exploration and evaluation expenditure

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

(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 on the carrying value of the provisions (refer to Note 23). The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the balance sheet by adjusting both the restoration and rehabilitation asset and provision.

(vi) Deferred tax

The consolidated entity has not recognised a net deferred tax asset of $53,247,000 as at 30 June 2009 (2008: $24,950,000) on the basis that the ability to utilise the temporary differences and tax losses is not probable as at the reporting date.

(vii) Recognition of contingencies

As disclosed in Note 27 to the financial statements, the consolidated entity and Company has a contingent liability in respect of a legal claim.

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.

Note 5 Revenue

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Sales revenue – continuing operations				
Sale of gold	**279,824**	142,394	**279,824**	142,394
Sale of silver	**1,305**	735	**1,305**	735
	281,129	143,129	**281,129**	143,129
Other revenue				
Interest revenue	**3,044**	5,053	**3,044**	5,053
Interest revenue capitalised	**–**	(1,371)	**–**	(1,371)
Sub-lease rental	**288**	305	**288**	305
Discount on convertible notes buy back	**1,935**	–	**1,935**	
Royalties	**144**	859	**144**	859
	5,411	4,846	**5,411**	4,846
Total revenue	**286,540**	147,975	**286,540**	147,975

Note 6 Other income

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Profit on sale of assets	**110**	14	**110**	14
Profit on sale of investment	**–**	141	**–**	226
Other	**113**	40	**113**	40
	223	195	**223**	280

Note 7 Expenses

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Profit/(loss) before income tax includes the following specific expenses:				
Depreciation				
Buildings	**315**	–	**315**	–
Plant and equipment	**5,654**	1,199	**5,654**	1,199
	5,969	1,199	**5,969**	1,199
Amortisation				
Mine development costs	**34,203**	18,217	**34,203**	18,217
Deferred waste stripping	**4,736**	11,046	**4,736**	11,046
Capitalised borrowing costs	**971**	–	**971**	–
Plant/equipment finance leases	**416**	317	**415**	317
Impairment write-offs (Note 8)	**63,809**	–	**63,810**	–
	104,135	29,580	**104,135**	29,580
Total depreciation & amortisation	**110,104**	30,779	**110,104**	30,779
Finance Costs				
Interest paid/payable	**89**	151	**89**	151
Interest on convertible notes	**7,518**	8,000	**7,518**	8,000
Borrowing costs	**219**	220	**1,010**	220
Convertible notes buy back costs	**791**	–	**791**	–
Finance lease	**1,219**	111	**1,219**	111
Provisions: unwinding of discount	**1,180**	1,166	**1,180**	1,166
Interest capitalised	**(2,020)**	(6,640)	**(2,020)**	(6,640)
	8,996	3,008	**8,996**	3,008
Employee related expenses				
Contributions to defined contribution superannuation funds	**2,637**	2,095	**2,637**	2,095
Termination payments (Note 8)	**3,877**	–	**3,877**	–
Equity settled share-based payments	**(32)**	475	**(32)**	475
	6,482	2,570	**6,482**	2,570
Rental expense relating to operating leases				
Lease payments	**856**	942	**856**	942

Note 8 Significant items

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

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Included within net realised/unrealised gains on derivatives				
Net realised/unrealised gains on gold put options	**1,515**	16,834	**1,515**	16,834
Included within corporate costs				
Redundancy payments	**(3,877)**	–	**(3,877)**	–
Restructuring provisions	**(1,957)**	–	**(1,957)**	–
	(5,834)	–	**(5,834)**	–
Asset impairment write downs				
Open pit mine development	**(16,904)**	–	**(16,904)**	–
Southern Cross assets	**(40,488)**	–	**(40,488)**	–
Capitalised exploration	**(8,650)**	–	**(8,650)**	–
	(66,042)	–	**(66,042)**	–
Included within unrealised loss on available-for-sale assets				
Write down of listed investments to fair value	**(6,192)**	(4,876)	**(6,192)**	(4,876)
Total significant items	**(76,553)**	11,958	**(76,553)**	11,958

Redundancy payments

During the period a review of corporate and exploration overhead costs gave rise to an organisational restructure, which resulted in redundancies. These costs are one-off costs related to the restructure of the corporate functions and associated redundancy expenses.

Restructuring provision

Represents provisions raised during the period for positions identified as redundant as at 30 June 2009 at Southern Cross operations as a consequence of the strategic review completed in June 2009. These amounts are not included in the "redundancy payments" disclosed above. In addition, certain demobilisation costs associated with cessation of open pit mining at Southern Cross operations were provided for at 30 June 2009.

Open pit mine development

Capitalised expenditure associated with mine development and infrastructure to support mining of open pits at Southern Cross and Leonora was written off as an impairment at 31 December 2008. As a result of the strategic review completed in June 2009, all open pit mining ceased at Southern Cross in July and this gave rise to additional write-offs as at 30 June 2009. The write-off of open pit development expenditure is reflected in the depreciation and amortisation expense.

Impairment write down of Southern Cross assets

As at 30 June 2009, an impairment write down was taken on Southern Cross assets. The impairment write down at 30 June 2009 was driven by a reduction in future estimated net cash flows from the Southern Cross operations cash-generating unit as a result of the cessation of open pit mining. The revised cash flow estimates no longer supported full recovery of the carrying value of the Southern Cross cash-generating unit. Substantial net cash flows from future open pit operations at Southern Cross were previously included in the business plan and provided support for the carrying value of assets. The impairment write down of Southern Cross assets is mainly reflected in the depreciation and amortisation expense.

Capitalised exploration written off

Exploration expenditure capitalised in relation to open pit operations at Southern Cross and Leonora operations that are no longer part of the business plans were written off as part of the open pits impairment as at 31 December 2008. As at 30 June 2009 capitalised exploration at Nevoria was written off as part of the impairment review. The write-off of capitalised exploration is reflected in the depreciation and amortisation expense.

Note 8 Significant items cont.

Write down of listed investments to fair value

Available-for-sale assets, comprising securities listed on the Australian Securities Exchange, are measured at fair value at each balance date. Due to the sustained decline in share price of the securities held by the Company, the securities were deemed to be impaired as at 31 December 2008, resulting in a fair value loss recognised in the income statement. As at 30 June 2009, the fair value of available-for-sale financial assets increased with the increment recorded in reserves.

Note 9 Income tax expense

(a) Income tax expense

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Deferred income tax (benefit)/expense	**–**	(432)	**–**	(432)

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

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Loss before income tax expense/(benefit)	**(76,344)**	(17,765)	**(76,344)**	(17,680)
Tax at the Australian tax rate of 30%	**(22,903)**	(5,330)	**(22,903)**	(5,304)
Tax effect of amounts not deductible/(taxable) in calculating taxable income:				
Legal and other capital expenditure	**538**	188	**538**	188
Equity settled share-based payments	**2**	143	**2**	143
Information technology costs	**–**	182	**–**	182
Share issue costs	**–**	(148)	**–**	(148)
Investment allowance	**(40)**	–	**(40)**	–
Sundry items	**11**	40	**11**	40
Tax losses not recognised	**22,392**	4,493	**22,392**	4,467
Income tax expense/(benefit)	**–**	(432)	**–**	(432)

Refer to Note 9(c) for details of the deferred tax benefit.

Note 9 Income tax expense cont.

(c) Unrecognised deferred tax balance

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Deferred tax liabilities				
Accrued income	**446**	457	**446**	457
Mining properties – exploration	**16,251**	23,551	**16,251**	23,551
Mining properties – development	**77,667**	76,379	**77,667**	76,379
Consumables	**7,690**	3,815	**7,690**	3,815
Option premiums	**–**	22,162	**–**	22,162
Convertible notes	**10,232**	6,801	**10,232**	6,801
Total	**112,286**	133,165	**112,286**	133,165
Tax effect @ 30%	**33,686**	39,950	**33,686**	39,950
Deferred tax assets				
Tax losses	**239,195**	180,599	**239,195**	180,599
Provisions and accruals	**36,270**	34,039	**36,270**	34,039
Investment fair value reserve	**3,401**	–	**3,401**	–
Tax assets without a carrying amount	**9,474**	619	**9,474**	619
Depreciation	**1,438**	1,076	**1,438**	1,076
Total	**289,778**	216,333	**289,778**	216,333
Tax effect @ 30%	**86,933**	64,900	**86,933**	64,900
Net deferred tax asset (unbooked)(1)	**53,247**	24,950	**53,247**	24,950

(1) The net deferred tax asset has not been recognised because it is not yet probable that future taxable profit will be available against which the consolidated entity can utilise the benefits there from.

Note 10 Cash and cash equivalents

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Cash at bank and on hand	**18,692**	7,517	**13,693**	7,517
Term deposits	**35,000**	28,000	**35,000**	28,000
	53,692	35,517	**53,692**	35,517

Cash placed on deposit to secure a bank guarantee facility is reported as current "Other Receivables" in Note 11.

(a) Cash at bank and on hand

Cash at bank at 30 June 2009 invested "at call" was earning interest at an average rate of 2.59% per annum.

(b) Deposits

The deposits at 30 June 2009 were earning interest rates of between 2.95% and 3.80% per annum.

Note 11 Trade and other receivables

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current assets				
Trade receivables	**4,192**	5,031	**4,192**	5,031
Subsidiary loans	**–**	–	**852**	852
Provision for non-recovery	**–**	–	**(850)**	(850)
	–	–	**2**	2
Other receivables	**3,928**	4,426	**3,928**	4,426
Restricted cash[1]	**24,339**	20,597	**24,339**	20,597
Prepayments	**2,477**	2,231	**2,477**	2,231
	34,936	32,285	**34,938**	32,287

(1) 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. These deposits earned interest at an average interest rate of 3.16%.

(a) Effective interest rates and credit risk

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

Note 12 Inventories

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Consumables	**7,875**	3,864	**7,875**	3,864
Ore stockpiles	**9,681**	12,725	**9,681**	12,725
Gold in circuit	**9,217**	4,449	**9,217**	4,449
Bullion on hand	**4,285**	–	**4,285**	–
	31,058	21,038	**31,058**	21,038

(a) Lower of cost and net realisable value

At 30 June 2009, there were no ore stockpiles valued at net realisable value (2008: $12,725,000).

Note 13 Derivative financial asset

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current assets				
Fair value of gold option premiums	–	139	–	139
Listed options at fair market value	–	64	–	64
	–	203	–	203
Non-current assets				
Fair value of gold option premiums	–	34,647	–	34,647

(a) Instruments used by the consolidated entity

Refer to Note 2 "Financial Risk Management" for details on instruments used by the consolidated entity.

During September and October 2008, the consolidated entity closed out all the A$700 and A$800 per ounce put options for total proceeds of $36,300,000, realising a profit on sale of $1,515,000.

At 30 June 2009, the consolidated entity had no derivative instruments in place to hedge gold revenue.

Note 14 Deferred mining costs

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Deferred waste stripping	**28,702**	31,053	**28,702**	31,053
Amortisation of deferred waste	**(28,702)**	(23,966)	**(28,702)**	(23,966)
	–	7,087	–	7,087
Deferred operating development	**16,196**	8,836	**16,196**	8,836
	16,196	15,923	**16,196**	15,923
Non-current				
Deferred operating development	**6,472**	16,139	**6,472**	16,139

Note 15 Available-for-sale financial asset

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
At beginning of year	–	–	–	–
Transferred from non-current	7,182	–	7,182	–
Additions	–	–	–	–
Disposals	–	–	–	–
Revaluation gain recognised in the income statement	–	–	–	–
Revaluation gain taken to equity	6,687	–	6,687	–
	13,869	–	13,869	–
Non-current				
At beginning of year	13,941	17,381	13,941	17,381
Additions		–		–
Disposals	(567)	–	(567)	–
Revaluation loss recognised in the income statement	(6,192)	(3,440)	(6,192)	(3,440)
Transferred to non-current	(7,182)		(7,182)	
At end of year	–	13,941	–	13,941

(a) Listed securities

Available-for-sale financial assets as at 30 June 2009 consisted of companies listed on the Australian Securities Exchange. The consolidated entity has announced its intention to sell its non-core assets which include investments in listed securities (refer to Note 32).

Note 16 Financial instruments

(a) Credit Risk Exposures

Refer Note 2 for the consolidated entity's exposure to credit risk.

(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.

2009		Fixed Interest Maturing in			
	Floating Interest rate $'000	1 year or less $'000	Over 1 to 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets					
Cash and cash equivalents	13,693	39,999	–	–	53,692
Restricted cash and cash equivalents	4,339	20,000	–	–	24,339
Receivables	–	–	–	8,120	8,120
Available-for-sale financial assets	–	–	–	13,869	13,869
	18,032	59,999	–	21,989	100,020
Weighted average interest rate	2.59%	3.45%	–	–	
Financial liabilities					
Trade and other creditors	–	–	–	38,376	38,376
Finance lease liabilities	–	877	1,517	90	2,484
Equipment financing facility	17,464	–	–	–	17,464
Convertible notes	–	77,100	–	–	77,100
Other loans	–	1,906	–	–	1,906
	17,464	79,883	1,517	38,466	137,330
Weighted average interest rate	5.94%	7.99%	7.76%	–	
Net financial assets/(liabilities)	568	(19,884)	(1,517)	(16,477)	(37,310)

Note 16 Financial instruments cont.

(b) Interest Rate Risk Exposures cont.

2008		Fixed Interest Maturing in			
	Floating Interest rate $'000	1 year or less $'000	Over 1 to 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets					
Cash and cash equivalents	7,517	28,000	–	–	35,517
Restricted cash and cash equivalents	–	20,597	–	–	20,597
Receivables	–	–	–	9,457	9,457
Available-for-sale financial assets	–	–	–	13,941	13,941
Fair value of gold option premiums	–	–	–	34,786	34,786
Listed options at fair market value				64	64
	7,517	48,597	–	58,248	114,362
Weighted average interest rate	7.24%	7.60%	–	–	
Financial liabilities					
Trade and other creditors	–	–	–	59,273	59,273
Finance Lease liabilities	–	566	801	128	1,495
Convertible notes	–	–	100,000	–	100,000
Other loans	–	1,763	–	–	1,763
	–	2,329	100,801	59,401	162,531
Weighted average interest rate	–	7.56%	8.00%	–	
Net financial assets/(liabilities)	7,517	46,268	(100,801)	(1,153)	(48,169)

Note 17 Property, plant and equipment

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Non-current				
Land	**507**	507	**507**	507
Housing & site buildings	**11,082**	1,869	**11,082**	1,869
Plant and equipment	**115,622**	73,963	**115,622**	73,963
Accumulated depreciation	**(9,583)**	(3,551)	**(9,583)**	(3,551)
Total	**117,628**	72,788	**117,628**	72,788

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

Land				
At the beginning of the year	**507**	1,366	**507**	507
Disposals	**–**	(859)	**–**	–
At the end of the year	**507**	507	**507**	507
Housing & site buildings				
At the beginning of the year	**1,869**	1,500	**1,869**	1,500
Additions	**9,528**	369	**9,528**	369
Depreciation	**(315)**	–	**(315)**	
At the end of the year	**11,082**	1,869	**11,082**	1,869
Plant and equipment				
At the beginning of the year	**70,412**	13,140	**70,412**	13,140
Transfer to inventory	**–**	(1,218)	**–**	(1,218)
Additions	**41,747**	60,006	**41,747**	60,006
Disposals	**(51)**	–	**(51)**	–
Depreciation	**(6,069)**	(1,516)	**(6,069)**	(1,516)
At the end of the year	**106,039**	70,412	**106,039**	70,412
Total	**117,628**	72,788	**117,628**	72,788

(a) Security

As at 30 June 2009, plant and equipment with a carrying value of $31,854,000 (2008: $1,098,000) is held as security for finance leases (Note 22).

In accordance with the security arrangements in relation to commercial facilities, during the year the Commonwealth Bank of Australia released the Company from its fixed and floating charge against all remaining assets. The Commonwealth Bank holds security over cash deposits backing a bank guarantee facility totalling $24,339,000 as at 30 June 2009. During the year, and as at 30 June 2009, there were no events of default.

Note 18 Mine properties

	Consolidated		Parent entity	
Non-current	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Mine Properties – development				
At beginning of the year	**41,370**	25,850	**41,370**	25,850
Direct expenditure	**62,426**	32,113	**62,426**	32,113
Transferred from exploration and evaluation	**12,079**	946	**12,079**	946
Transferred from mines under construction	**150,822**	–	**150,822**	–
New rehabilitation obligations	**–**	1,438	**–**	1,438
Mine development written off	**(46,508)**	–	**(46,508)**	–
Adjustment to rehabilitation provision	**(645)**	(760)	**(645)**	(760)
Amortisation for the year	**(34,203)**	(18,217)	**(34,203)**	(18,217)
At end of the year	**185,341**	41,370	**185,341**	41,370
Mines Under Construction(1)				
At beginning of the year	**119,817**	44,515	**119,817**	44,515
Direct expenditure	**28,682**	68,721	**28,682**	68,721
Capitalised amortisation of convertible notes transaction costs	**303**	1,312	**303**	1,312
Net borrowing costs capitalised	**2,020**	5,269	**2,020**	5,269
Transferred to mine properties	**(150,822)**	–	**(150,822)**	–
At end of the year	**–**	119,817	**–**	119,817
Total Mine Properties	**185,341**	161,187	**185,341**	161,187

(1) Mines under construction represented pre-production expenditure at Gwalia. The Gwalia mine commenced production in October 2008.

Note 19 Exploration and evaluation

	Consolidated		Parent entity	
Non-current	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Exploration and evaluation				
At beginning of the year	**25,778**	18,188	**25,778**	18,188
Acquired tenements	**388**	125	**388**	125
Tenements written off	**–**	(20)	**–**	(20)
Expenditure capitalised for the year	**2,549**	8,431	**2,549**	8,431
Transferred to mine properties	**(12,079)**	(946)	**(12,079)**	(946)
Exploration written off	**(8,417)**	–	**(8,417)**	–
At end of the year	**8,219**	25,778	**8,219**	25,778

Note 20 Other financial assets

	Consolidated		Parent entity	
Non-current	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Other financial assets	–	–	**178**	178

Other financial assets represent the Parent entity's investment in wholly owned subsidiaries. Refer Note 30 for further detail.

Note 21 Trade and other payables

	Consolidated		Parent entity	
Current	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Trade payables	**36,372**	56,627	**36,372**	56,627
Loans from subsidiaries	–	–	**11,401**	11,401
Other payables	**2,004**	2,646	**2,004**	2,646
	38,376	59,273	**49,777**	70,674

Note 22 Interest bearing borrowings

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Secured				
Lease liabilities (Note 28)	**937**	604	**937**	604
Equipment finance facility	**4,818**	–	**4,818**	–
Transaction costs	**(84)**	–	**(84)**	–
	5,671	604	**5,671**	604
Unsecured				
Convertible notes	**77,100**	–	**77,100**	–
Transaction costs	**(1,110)**	–	**(1,110)**	–
Insurance premium funding	**1,906**	1,763	**1,906**	1,763
	77,896	1,763	**77,896**	1,763
Total current	**83,567**	2,367	**83,567**	2,367
Non-current				
Secured				
Lease liabilities (Note 28)	**1,547**	891	**1,547**	891
Equipment finance facility	**12,646**	–	**12,646**	–
Transaction costs	**(219)**	–	**(219)**	–
	13,974	891	**13,974**	891
Unsecured				
Convertible notes	**–**	100,000	**–**	100,000
Convertible notes transaction costs	**–**	(2,321)	**–**	(2,321)
	–	97,679	**–**	97,679
Total non-current	**13,974**	98,570	**13,974**	98,570

Note 22 Interest bearing borrowings cont.

(a) Interest rate risk exposures

Details of the consolidated entity's exposure to interest rate changes on borrowings are set out in Note 16.

(b) Convertible notes

On 24 November 2008, a note holder converted $400,000 of notes to shares.

On 27 March 2009, the Company accepted offers from holders of $22,500,000 of notes to buy back the notes at a price of 94 cents in the dollar, inclusive of 2.6 cents accrued interest. Settlement of the buy back of the convertible notes for a total of $21,150,000 (inclusive of interest of $585,000) occurred on 31 March 2009.

The outstanding balance of convertible notes on issue at 30 June 2009 was $77,100,000. 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 (4 June 2010). Due to this option date, the notes have been classified as a current liability at 30 June 2009.

The convertible notes transaction costs represent bank commission, legal fees and other costs associated with the issue and are amortised over a three year period. The amortised amount was capitalised to the mines under construction and upon completion of development is charged to the income statement.

(c) Equipment finance facility

On 13 August 2008 the Company signed a $20,000,000 loan facility agreement with GE Commercial Finance to fund the construction and purchase of certain infrastructure assets at Gwalia. The facility is secured against the equipment financed and is repayable over 48 months. The interest rate is the 90 day bank bill rate plus an interest margin of 2.8%. Under the terms of the GE facility, there are a number of undertakings related to the performance of the Company's operations, and non-compliance with these undertakings could constitute an event of default. Under the terms of facility the Company has up to 90 days to remedy or rectify a non-compliance event in relation to the operational undertakings. As at the reporting date, the Company had reported a non-compliance event, but was not in default of the facility agreement.

(d) Set-off of assets and liabilities

The parent entity has established a legal right of setoff 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 2009 restricted cash for this purpose amounted to $24,339,000 (2008: $20,597,000).

Note 23 Provisions

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Employee benefits – annual leave	**1,778**	1,712	**1,778**	1,712
Employee benefits – long service leave	**544**	231	**544**	231
Employee benefits – other	**513**	1,106	**513**	1,106
Redundancy and restructuring provision	**1,957**	–	**1,957**	–
Other provisions	**1,000**	–	**1,000**	–
	5,792	3,049	**5,792**	3,049
Non-current				
Provision for rehabilitation	**28,284**	28,812	**28,284**	28,812
Employee benefits – long service leave	**946**	711	**946**	711
	29,230	29,523	**29,230**	29,523

Movements in Provisions

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Non-current				
Rehabilitation				
Balance at start of year	**28,812**	28,900	**28,812**	28,900
Additional provision for new activities	**–**	1,438	**–**	1,438
Unwinding of discount	**1,180**	1,166	**1,180**	1,166
Expenditure incurred	**(1,063)**	(1,932)	**(1,063)**	(1,932)
Adjustment on re-estimation	**(645)**	(760)	**(645)**	(760)
Balance at end of year	**28,284**	28,812	**28,284**	28,812

Note 24 Contributed equity

(a) Share capital

	Parent entity		Parent entity	
	2009 Shares	2008 Shares	**2009 $'000**	2008 $'000
Ordinary shares – fully paid	**1,493,932,950**	1,158,423,891	**496,176**	366,466

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price (cents/share)	$'000
1 July 2007	Opening balance		836,555,567		208,231
Plus	Institutional placement	(i)	120,507,335	63	75,920
	Transaction costs on institutional placement				(2,605)
Plus	Share Purchase Plan	(ii)	35,511,707	63	22,301
	Transaction costs on share purchase plan				(669)
Plus	Entitlement offer	(iii)	158,799,282	40	63,520
	Transaction costs on entitlement offer				(2,397)
Plus	Shares issued on exercise of options	(iv)	7,050,000	21	1,446
	Transfer of Option Reserve on conversion of options		–		719
30 June 2008			1,158,423,891		366,466
Plus	Entitlement offer	(v)	140,312,045	40	56,125
	Transaction costs on entitlement offer				(2,587)
Plus	Convertible notes converted to shares	(vi)	597,014	67	400
Plus	Institutional placement	(vii)	189,600,000	41	77,736
	Transaction costs on institutional placement				(2,767)
Plus	Shares issued on exercise of options	(iv)	5,000,000	12	590
	Transfer of Option Reserve on conversion of options				213
			1,493,932,950		496,176

(i) Institutional placement on 1 November 2007.
(ii) Share Purchase Plan on 11 December 2007.
(iii) Entitlement Offer represents a 2 for 7 renounceable accelerated entitlement offer to shareholders and an institutional placement announced on 10 June 2008.
(iv) Shares issued on exercise of unlisted options held by executives and employees.
(v) Entitlement offer on 17 July 2008.
(vi) Convertible notes converted to shares on 24 November 2008.
(vii) Institutional placement on 27 February 2009.

(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 36.

Note 25 Reserves and accumulated losses

(a) Reserves

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Reserves				
Share-based payment reserve	**1,841**	2,086	**1,841**	2,086
Investment fair value reserve	**6,687**	–	**6,687**	–
Convertible note liability reserve	**432**	432	**432**	432
	8,960	2,518	**8,960**	2,518
Share-based payment reserve				
Balance at start of year	**2,086**	2,330	**2,086**	2,330
Option expense	**181**	475	**181**	475
Options exercised	**(213)**	(719)	**(213)**	(719)
Options cancelled on termination	**(213)**	–	**(213)**	–
Balance at end of year	**1,841**	2,086	**1,841**	2,086
Investments fair value reserve				
Balance at start of year	**–**	(1,005)	**–**	(1,005)
Fair value adjustments taken to the income statement	**–**	1,437	**–**	1,437
Fair value adjustments	**6,687**	–	**6,687**	–
Tax effect of fair value adjustment @ 30%	**–**	(432)	**–**	(432)
Balance at end of year	**6,687**	–	**6,687**	–

(b) Accumulated losses

Movements in accumulated losses were as follows:

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Balance at start of year	**(132,320)**	(114,987)	**(143,541)**	(126,293)
Loss attributable to members of the Company	**(76,344)**	(17,333)	**(76,344)**	(17,248)
Balance at end of year	**(208,664)**	(132,320)	**(219,885)**	(143,541)

(c) Investment fair value reserve

Changes in the fair value arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in Note 1(p). Amounts are recognised in the income statement when the associated assets are sold or impaired. During the year the cumulative loss recognised in the reserve in prior years, together with the movements in fair value for the year, was recognised in the income statement.

At 31 December 2008, an impairment loss of $6,192,000 was recognised in relation to the investment in Bendigo Mining Limited and disclosed as a significant item. During the year, the AASB released Australian Interpretation 10 *Interim Financial Reporting and Impairment* (based on the International Financial Reporting and Interpretations Committee's ("IFRIC") Interpretation 10) which prevents the reversal of an impairment loss recognised at an interim reporting date. As a result, the mark to market gain as at 30 June 2009 in relation to the Company's investment in Bendigo Mining, which would ordinarily have reversed the impairment loss recognised in the income statement in the period ended 31 December 2008, was recorded in the investment fair value reserve. The fair value adjustment of $6,687,000 taken to the reserve represents the mark to market change from 31 December 2008 to 30 June 2009.

Note 25 Reserves and accumulated losses cont.

(d) 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.

(e) Convertible note liability reserve

The convertible note liability reserve represents an IFRS adjustment on the conversion of the RCF convertible note in 2006.

Note 26 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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(a) Assurance services				
Audit services				
KPMG Australian firm				
Audit and review of financial reports	**220**	185	**220**	185
Other audit services	**–**	20	**–**	20
Total remuneration for audit services	**220**	205	**220**	205
(b) Non-audit services				
KPMG Australian firm				
Due diligence on prospectus issue	**–**	130	**–**	130
Total remuneration for non-audit services	**–**	130	**–**	130

Note 27 Contingencies

(a) Contingent liabilities

The Company and consolidated entity have a contingent liability at 30 June 2009 in respect of the following legal claim:

Kingstream

On 2 July 2002, Kingstream Steel Limited (now Midwest Corporation Limited) ("Kingstream") commenced proceedings in the Supreme Court of Western Australia against the Company and its 100% owned subsidiary, Zygot Ltd ("Zygot") (together, "St Barbara"). 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. Mr Smith resigned as a trustee and Mr Hughes ("Hughes") has been the sole plaintiff since 30 January 2008.

Hughes's claim against St Barbara arose from the withdrawal by Zygot of three mining lease applications ("MLAs") in September 2001. Hughes alleged that these applications were part of the subject matter of an Option Deed between the St Barbara and Kingstream dated 26 March 1997 as supplemented by a Deed dated 20 January 1998 and a letter dated 29 January 1999 from St Barbara's lawyers to Kingstream. Kingstream exercised the option in February 1999.

Following amendments to the statement of claim in October 2008, Hughes sought damages from St Barbara relying upon causes of action based on rectification of the Supplemental Deed, allegations of breach of contract, breach of duty of care, estoppel and unilateral mistake. St Barbara defended the proceedings.

Hughes produced various reports by experts who purported to quantify the loss that was claimed. The reports disclosed opinions about the value of the MLAs at the time of their withdrawal of between $250,000 and $4,000,000. They also disclosed a range of opinions about the claimed value of the MLAs to Kingstream ranging from $13,070,000 in November 2005 to $980,000,000 in November 2008.

None of the current Directors of St Barbara were directors of the Company or Zygot at the time the relevant activities took place.

Note 27 Contingencies cont.

(a) Contingent liabilities cont.

Kingstream cont.

St Barbara believes that if it is found to have breached the Supplemental Deed, any damages will be assessed by reference to the value of the MLAs as at the date of withdrawal. In the event that damages are awarded against the Company, the Court will also determine interest and costs to be paid.

The action was heard in the Supreme Court of Western Australia between 2 and 19 June 2009. The Trial Judge reserved his decision.

(b) Bank guarantees

The consolidated entity has negotiated bank guarantees in favour of various government authorities and service providers. The total of these guarantees at 30 June 2009 was $24,339,000 (2008: $20,597,000). Cash held on deposit with the financial institution providing the bank guarantees secures the amount outstanding in full as at 30 June 2009 – refer to Note 11.

Note 28 Commitments for expenditure

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'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.	11,250	9,367	11,250	9,367

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Property, Plant and Equipment				
Within one year	–	9,718	–	9,718

Note 28 Commitments for expenditure cont.

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Finance Lease Commitments				
Payable not later than one year	**1,030**	658	**1,030**	658
Payable later than one year, not later than five years	**1,671**	869	**1,671**	869
	2,701	1,527	**2,701**	1,527
Future finance charges	**(307)**	(160)	**(307)**	(160)
Recognised as a liability	**2,394**	1,367	**2,394**	1,367
Lease incentives on non-cancellable operating leases included in lease liabilities	**90**	128	**90**	128
Total lease liabilities	**2,484**	1,495	**2,484**	1,495
Current (Note 22)	**937**	604	**937**	604
Non-current (Note 22)	**1,547**	891	**1,547**	891
	2,484	1,495	**2,484**	1,495

These finance lease 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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Analysis of Non-Cancellable Operating Lease Commitments				
Payable not later than one year	**828**	877	**828**	877
Payable later than one year, not later than five years	**816**	1,958	**816**	1,958
	1,644	2,835	**1,644**	2,835

The non-cancellable operating lease commitments are the net rental payments associated with rental properties. At 30 June 2009 $90,000 (2008: $128,000) was recognised as a liability for a lease incentive received.

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Analysis of Non-Cancellable Operating Sub-lease receipts				
Receivable not later than one year	**281**	229	**281**	229
Payable later than one year, not later than five years	**292**	487	**292**	487
	573	716	**573**	716

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

Note 29 Related party transactions

(a) Directors and key management personnel

Disclosures relating to Directors and key management personnel are set out in Note 37.

(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 (2008: $ Nil) . Net receivables from subsidiaries amounted to $2,000 (2008: $2,000). 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

	Company	
	2009 $'000	**2008 $'000**
Aggregate amounts receivable at balance date from:		
Entities in the wholly-owned group	**852**	852
Less provision for doubtful receivables	**(850)**	(850)
	2	2
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 bank guarantee 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 2009, there were no amounts receivable from Director related entities (2008: $ Nil).

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

During the year ended 30 June 2009, there were no other transaction with Directors of the Company and their Director related entities.

Note 30 Controlled entities

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

		Equity holding		Cost of Company's investment	
Name of entity	Class of Shares	**June 2009 %**	June 2008 %	**June 2009 $'000**	June 2008 $'000
Australian Eagle Oil Co Pty Ltd	Ordinary	**100**	100	**178**	178
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.

Note 31 Interests in joint ventures

(a) Jointly controlled assets

Joint Venture	June 2009 Equity %	June 2008 Equity %	Joint Venturers
WESTERN AUSTRALIA			
Leonora Region			
Mount Newman – Victory	87%	87%	Astro Diamond Mines N.L.
Sandy Soak	91%	91%	Hunter Resources Pty Ltd
Melita[(1)]	80%	80%	Dalrymple Resources N.L.
Weebo	20%	20%	Plutonic Operations Limited
McEast/Pipeline	80%	80%	Cheperon Gold Partnership
Mt George	51%	51%	Trevor John Dixon
Black Cat	100%, diluting to 40%	100%, diluting to 40%	Terrain Minerals Ltd
Pumping Station[(1)]	–	earning 70%	Teck Cominco Australia Pty Ltd
Southern Cross Region			
Cornishman Exploration[(2)]	100%	51%	Troy Resources NL
Cornishman Mining[(2)]	100%	51%	Troy Resources NL
Silver Phantom	70%	70%	Bellriver Pty Ltd
South Rankin	75%	75%	Comet Resources Limited
Copperhead[(2)]	100%	51%	Troy Resources NL
Cheritons Find	90%	90%	Audax Resources NL
Southern Cross[(2)]	100%	earning 60%	Troy Resources NL, Aminta Pty Ltd
Kalgoorlie Region			
New Mexico[(3)]	–	40%	Tasman Exploration Pty Ltd
Rocky Dam	earning 51%	earning 51%	Rubicon Resources Ltd
Golden Mile South[(4)]	–	earning 51%	Golden Mile South Pty Ltd

(1) The Company withdrew from the Pumping Station joint venture during May 2009.
(2) The Company purchased the interest from Troy Resources in October 2008.
(3) The Company withdrew from the New Mexico joint venture during January 2009.
(4) The Company withdrew from the Golden Mile South joint venture during May 2009.

As at 30 June 2009 there were no joint venture assets recorded in the balance sheet (2008: Nil).

Note 32 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, except for the following:

- On 5 August 2009, the Company announced the disposal of its 9.7% investment in the shares of Bendigo Mining Limited for proceeds of $9,906,800. The disposal of this investment will give rise to a net profit on sale recognised in the Income Statement in the 2009-10 financial year of $2,724,000. And the reversal of the fair value reserve representing the movement in the fair value of the shares as at 30 June 2009.
- On 21 August 2009, the Company entered into a A$50,000,000 Equity Line standby facility from US-based investment fund YA Global. Under the terms of the facility St Barbara may, at its discretion, issue ordinary shares to YA Global at any time over a 60 month period up to a total of A$50,000,000.

  Shares issued to YA Global will be priced at the lowest of the daily volume weighted average prices of the Company's shares traded on each of the 10 trading days following an advance draw down notice by St Barbara. A commission of 4% will be payable to YA Global on the proceeds of each issue of shares at the time of the issue. The Company nominates in advance the amount in relation to each draw down under the facility. The advance amount for the first and second draw down is limited to $750,000 and $1,500,000 respectively, and thereafter the advance amount shall not exceed $3,000,000 in any 10-day trading period.

  This standby facility provides the consolidated entity with funding flexibility while it evaluates and negotiates other sources of longer term finance, and completes the divestment of non-core assets.

Note 33 Reconciliation of loss after income tax to net cash flows from operating activities

	Consolidated		Parent Entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Loss after tax for the year	**(76,344)**	(17,333)	**(76,344)**	(17,248)
Depreciation and amortisation	**46,294**	30,779	**46,294**	30,779
Asset impairments	**66,042**	–	**66,042**	–
Profit on sale of assets	**(110)**	(14)	**(110)**	(14)
Loss on sale of available-for-sale financial assets	**140**	–	**140**	–
Profit on sale of investments	**–**	(141)	**–**	(226)
Deferred income tax (benefit)/expense	**–**	(432)	**–**	(432)
Options revaluation	**64**	(11)	**64**	(11)
Net realised/unrealised gain on gold derivatives	**(1,515)**	(16,823)	**(1,515)**	(16,823)
Unrealised loss on available-for-sale assets	**–**	4,876	**–**	4,876
Discount on convertible notes buyback	**(1,935)**	–	**(1,935)**	–
Impairment of available-for-sale financial asset	**6,192**	–	**6,192**	–
Convertible notes buy-back transaction costs	**791**	–	**791**	–
Exploration expensed	**13,442**	28,531	**13,442**	28,531
Equity settled share-based payments	**(32)**	476	**(32)**	476
Change in operating assets and liabilities:				
(Increase)/decrease in receivables and prepayments	**1,091**	(3,089)	**1,091**	(3,089)
(Increase)/decrease in inventories	**(10,020)**	(13,487)	**(10,020)**	(13,487)
(Increase)/decrease in other assets	**(2,020)**	(4,052)	**(2,020)**	(4,052)
Increase/(decrease) in trade creditors and payables	**(20,256)**	20,698	**(20,256)**	20,698
Increase/(decrease) in non-current provisions	**(293)**	167	**(293)**	167
Increase/(decrease) in other liabilities	**2,792**	(5,153)	**2,792**	(5,153)
Net cash flows from operating activities	**24,324**	24,992	**24,324**	24,992

Note 34 Non-cash investing and financing activities

		Consolidated		Parent entity	
	Notes	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Acquisition of vehicles and equipment through finance leases		**21,696**	276	**21,696**	276

Note 35 Earnings per share

	Consolidated	
	2009 Cents	2008 Cents
(a) Basic loss per share		
Loss attributable to the ordinary equity holders of the Company	**(5.63)**	(1.66)
(b) Diluted loss per share		
Loss attributable to the ordinary equity holders of the Company	**(5.63)**	(1.66)

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

	Consolidated	
	2009 $'000	**2008 $'000**
Basic and diluted earnings per share		
Loss after tax for the year	**(76,344)**	(17,333)

(d) Weighted average number of shares

	Consolidated	
	2009 Number	2008 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,356,057,153**	1,044,330,081
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,356,057,153**	1,044,330,081

(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 36.

(ii) Convertible Notes

The outstanding balance of convertible notes on issue at 30 June 2009 is $77,100,000. 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 (4 June 2010). The convertible notes have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

Note 36 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.

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

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

Note 36 Share-based payments cont.

(a) Employee Option Plan cont.

Set out below are summaries of options granted to employees under the St Barbara Limited Employee 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[2] Number	Exercisable at end of the year Number
Consolidated and parent entity – 2009								
23 Dec 04	23 Dec 11	$0.118	5,000,000	–	5,000,000	–	–	–
30 Sep 05	30 Sep 10	$0.298	1,000,000	–	–	–	1,000,000	1,000,000
01 Jul 06	30 Jun 11	$0.491	1,750,000	–	–	500,000	1,250,000	1,250,000
11 Sep 06	11 Sep 11	$0.496	2,360,000	–	–	360,000	2,000,000	2,000,000
01 Dec 06	01 Dec 11	$0.549	500,000	–	–	–	500,000	250,000
26 Mar 07	26 Mar 12	$0.490	2,000,000	–	–	2,000,000	–	–
21 May 07	21 May 12	$0.512	1,000,000	–	–	1,000,000	–	–
06 May 09	02 Mar 14	$0.400	–	1,508,099[1]	–	–	1,508,099	–
06 May 09	03 Apr 14	$0.430	–	5,361,672[1]	–	–	5,361,672	–
Total			13,610,000	6,869,771	5,000,000	3,860,000	11,619,771	4,500,000
Weighted average exercise price			$0.34	$0.42	$0.12	$0.50	$0.44	$0.45

(1) Vesting of options granted in May 2009 is subject to performance criteria as discussed below.
(2) Expired on termination of employment with the Company.

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 – 2008								
23 Dec 04	23 Dec 10	$0.118	5,000,000	–	5,000,000	–	–	–
23 Dec 04	23 Dec 11	$0.118	5,000,000	–	–	–	5,000,000[1]	–
30 Sep 05	30 Sep 10	$0.330	1,660,000	–	1,660,000	–	–	–
30 Sep 05	30 Sep 10	$0.298	1,250,000	–	250,000	–	1,000,000	1,000,000
01 Jul 06	30 Jun 11	$0.491	1,750,000	–	–	–	1,750,000	875,000
11 Sep 06	11 Sep 11	$0.528	640,000	–	140,000	500,000	–	–
11 Sep 06	11 Sep 11	$0.496	2,360,000	–	–	–	2,360,000	1,360,000
01 Dec 06	01 Dec 11	$0.549	500,000	–	–	–	500,000	–
26 Mar 07	26 Mar 12	$0.490	2,000,000		–	–	2,000,000[2]	–
21 May 07	21 May 12	$0.512	–	1,000,000	–	–	1,000,000[3]	–
Total			20,160,000	1,000,000	7,050,000	500,000	13,610,000	3,235,000
Weighted average exercise price			0.28	0.51	0.18	0.53	0.34	0.43

(1) Options vest on 14 September 2008.
(2) 50% of options vest on 26 March 2009, 50% vest on 26 March 2010.
(3) 50% of options vest on 21 May 2009, 50% vest on 21 May 2010.

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

Note 36 Share-based payments cont.

(a) Employee Option Plan cont.

The weighted average remaining contractual life of share options outstanding at the end of the year was 3.6 years (2008 – 3.4 years).

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2009 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 2009 included:

(i) Options are granted for no consideration. The vesting of options granted in 2009 is subject to a continuing service condition as at each vesting date, and relative Total Shareholder Returns over a three year period. The peer group against which Total Shareholder Return is measured is presented in the Directors' Report (page 38).

Relative TSR Performance Over Measurement Period	% of Right to Vest
<50th percentile	0%
50th percentile	50%
>50th & <75th percentiles	Pro-rata between 50% & 100%
75th percentile and above	100%

Total Shareholder Return is measured against a peer group of companies.

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

(iii) Grant date varies with each issue.

(iv) Expiry date is 5 years from grant date.

(v) Share price at grant date was consistent for each issue at $0.29.

(vi) Price volatility of the Company's shares as at the grant date was consistent for each issue at 94.0%.

(vii) 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/(gains) arising from equity settled share-based payment transactions recognised during the year as part of the employee benefit expenses were as follows:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Options issued under employee option plan	(32)	475	(32)	475

Note 37 Key management personnel disclosures

(a) Directors

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

- S J C Wise — Chairman
- T J Lehany — Managing Director & CEO — Appointed 2 March 2009
- E Eshuys — Managing Director & CEO — Resigned 2 March 2009
- D W Bailey — Non-Executive Director
- B J Gibson — Non-Executive Director
- P C Lockyer — Non-Executive Director
- R K Rae — Non-Executive Director

(b) Other key management personnel disclosures

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

- Martin Reed — Chief Operating Officer — Appointed 12 January 2009
- George Viska — Acting Chief Operating Officer — Resigned 30 January 2009
- Ian Bird — Chief Operating Officer — Resigned 4 July 2008
- Garth Campbell-Cowan — Chief Financial Officer
- Ross Kennedy — General Manager Corporate Services /Company Secretary
- Peter Thompson — General Manager Exploration — Resigned 4 July 2008
- Adrian McArthur — Acting General Manager Exploration — Appointed 4 July 2008

(c) Key Management Personnel Compensation

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
Short term employee benefits	**3,137,407**	2,480,048	**3,137,407**	2,480,048
Post employment benefits	**80,019**	77,718	**80,019**	77,718
Long service leave	**240,950**	55,780	**240,950**	55,780
Share-based payments	**93,158**	376,762	**93,158**	376,762
Termination payments	**2,706,901**	–	**2,706,901**	
	6,258,435	2,990,308	**6,258,435**	2,990,308

Note 37 Key management personnel disclosures cont.

(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 37 to 39.

(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 consolidated entity, including their related parties, are set out below:

2009 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
Executive Director						
T J Lehany	–	1,508,099	–	–	1,508,099	–
E Eshuys	5,000,000	–	5,000,000	–	–	–
Other key management personnel						
M Reed	–	–	–	–	–	–
G Campbell-Cowan	2,000,000	1,207,160	–	–	3,207,160	2,000,000
R Kennedy	–	940,644	–	–	940,644	–
A McArthur	–	738,870	–	–	738,870	–

2008 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
Executive Director						
E Eshuys	10,000,000	–	5,000,000	–	5,000,000	–
Other key management personnel						
I Bird(1)	2,000,000	–	–	–	2,000,000	–
G Campbell-Cowan	2,000,000	–	–	–	2,000,000	1,000,000
R Kennedy	–	–	–	–	–	–
P Thompson	–	–	–	–	–	–
G Viska	–	–	–	–	–	–

(1) Mr Bird resigned from the Company with effect from 4 July 2008 and the options granted to him on 26 March 2007 have lapsed.

Note 37 Key management personnel disclosures cont.

(d) Equity Instrument Disclosures Relating to Key Management Personnel cont.

(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 consolidated entity, including their related parties, are set out below. There were no shares granted during the year as compensation.

2009 Name	Balance at the start of the year	Exercise of options	Other changes	Purchased	Sold	Balance at the end of the year
Directors						
S J C Wise	5,027,340	–	–	1,436,384	–	6,463,724
T J Lehany	–	–	–	570,000(1)	–	570,000
E Eshuys(2)	25,942,403	5,000,000	(20,600,103)	3,925,000	(14,267,300)	–
D W Bailey(3)	107,937	–	–	30,840	–	138,777
B J Gibson	152,431	–	–	43,553	–	195,984
P C Lockyer	37,937	–	–	10,840	–	48,777
R K Rae(4)	100,000	–	–	28,572	–	128,572
Other key management personnel						
M Reed	–	–	–	–	–	–
G Campbell-Cowan	–	–	–	–	–	–
R Kennedy(5)	827,937	–	–	–	(91,350)	736,587
A McArthur	–	–	–	–	–	–
G Viska	500,000	–	(500,000)	–	–	–
P Thompson	1,000,000	–	(1,000,000)	–	–	–

(1) Mr Lehany purchased 200,000 shares on 22 July 2009.

(2) Mr Eshuys resigned on 2 March 2009. Movements in shareholdings (purchases, sales, and exercise of options) have been disclosed up to this date. "Other Changes" represents the balance of Mr Eshuys's shareholdings at the date of his resignation.

(3) Mr Bailey holds 850,000 convertible notes issued by the company.

(4) Mr Rae purchased 45,714 shares on 27 July 2009.

(5) Mr Kennedy purchased 80,000 shares on 17 July 2009.

Note 37 Key management personnel disclosures cont.

(d) Equity Instrument Disclosures Relating to Key Management Personnel cont.

(iii) Share holdings cont.

2008 Name	Balance at the start of the year	Exercise of options	Other changes	Purchased	Sold	Balance at the end of the year
Directors						
S J C Wise(1)	3,799,403	–	–	1,227,937	–	5,027,340
E Eshuys(2)	20,100,000	5,000,000	–	842,403	–	25,942,403
D W Bailey(3)(9)	100,000			7,937		107,937
B J Gibson(4)	–			152,431		152,431
P C Lockyer(5)	30,000			7,937		37,937
R K Rae(6)	–			100,000		100,000
H G Tuten(1)	–	–	–	–	–	–
Other key management personnel						
I Bird	–	–	–	–	–	–
G Campbell-Cowan	–	–	–	–	–	–
R Kennedy(8)	820,000	–	–	7,937	–	827,937
P Thompson	1,000,000	–	–	7,937	–	1,007,937
G Viska	500,000	–	–	–	–	500,000

(1) Mr Tuten resigned on 21 January 2008.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 45 to 97 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 2009 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 30 to 42 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.

Tim J Lehany
Managing Director and CEO
Melbourne
25 August 2009

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

Report on the financial report

We have audited the accompanying financial report of St Barbara Limited (the company), which comprises the balance sheets as at 30 June 2009, 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 37 and the directors' declaration set out on pages 45 to 98 of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation 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, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial 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.

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.

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

INDEPENDENT AUDIT REPORT

For the year ended 30 June 2009

Independence

In conducting our audit, we have compiled with the independence requirements of the Corporations Act 2001.

Auditor's opinion

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 2009 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 also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 30 to 42 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of St Barbara Limited for the year ended 30 June 2009, complies with Section 300A of the Corporations Act 2001.

KPMG

Michael Bray
Partner

Melbourne
25 August 2009

SHAREHOLDER INFORMATION

In accordance with ASX Listing Rule 4.10, shareholder information as at 16 September 2009 was as follows:

Twenty largest registered shareholders

		Shares held	% of Total
1	J P Morgan Nominees Australia Limited	294,852,304	19.74
2	National Nominees Limited	234,947,777	15.73
3	HSBC Custody Nominees (Australia) Limited	190,749,131	12.77
4	Resource Capital Fund IV LLP	78,434,933	5.25
5	ANZ Nominees Limited	77,531,055	5.19
6	Cogent Nominees Pty Limited	42,346,471	2.83
7	Citicorp Nominees Pty Limited	23,105,133	1.55
8	Queensland Investment Corporation	15,066,296	1.01
9	HSBC Custody Nominees (Australia) Limited	9,745,348	0.65
10	Berne No 132 Nominees Pty Ltd	8,554,500	0.57
11	RBC Dexia Investor Services Australia Nominees Pty Limited	8,270,063	0.55
12	UBS Wealth Management Australia Nominees Pty Ltd	8,143,271	0.55
13	Nefco Nominees Pty Ltd	7,556,000	0.51
14	Citicorp Nominees Pty Limited	5,986,772	0.40
15	Northwest Accounting Pty Ltd	5,607,937	0.38
16	AMP Life Limited	5,553,949	0.37
17	Comsec Nominees Pty Limited	4,885,275	0.33
18	Sun Hung Kai Investment Services Ltd	4,000,000	0.27
19	Invia Custodian Pty Limited	3,502,858	0.23
20	Miroma Investment Inc	3,160,000	0.21
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		**1,031,999,073**	**69.08**
Total Remaining Holders Balance		**461,933,877**	**30.92**

Substantial Shareholders

Holder	No. of Securities	% of Total
M&G Group	140,082,024	9.38
JPMorgan Chase & Co	107,673,114	7.21
Resource Capital Funds IV LLP	78,434,933	5.25
Franklin Resources	75,638,181	5.06

Distribution of Shareholdings

Ordinary Fully Paid Shares (Total) as of 31 Aug 2009 — **Composition: Ord**

Range	Total holders	Units	% of Issued Capital
1 – 1,000	958	518,585	0.03
1,001 – 5,000	2,988	9,460,635	0.63
5,001 – 10,000	2,589	21,761,391	1.46
10,001 – 100,000	5,587	187,532,267	12.55
100,001 – 9,999,999,999	827	1,274,660,072	85.32
Rounding			**0.01**
Total	**12,949**	**1,493,932,950**	**100.00**

Unmarketable Parcels

	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $0.2350 per unit	2128	1907	2,107,047

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	Convertible Notes Held
S J C Wise	6,463,724	–
T J Lehany	770,000	–
D W Bailey	138,777	Notes with a face value of $850, 000, convertible into 1,268,676 fully paid ordinary shares (based on a conversion price of $0.67)
B J Gibson	195,984	–
P C Lockyer	48,777	–
R K Rae	174,286	–

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CORPORATE DIRECTORY

Board of Directors

S J C Wise	Chairman
T J Lehany	Managing Director & CEO
D W Bailey	Non-Executive Director
B J Gibson	Non-Executive Director
P C Lockyer	Non-Executive Director
R K Rae	Non-Executive Director

Company Secretary

R J Kennedy

Registered Office

Level 14, 90 Collins Street
Melbourne Victoria 3000

Telephone: +61 3 8660 1900
Facsimile: +61 3 8660 1999
Email: melbourne@stbarbara.com.au
Website: www.stbarbara.com.au

Share Registry

Computershare Limited
GPO Box 2975
Melbourne Victoria 3001

Telephone (within Australia): 1300 653 935
Telephone (international): +61 3 9415 4356
Facsimile: +61 3 9473 2500

Bankers

Commonwealth Bank of Australian
385 Bourke Street
Melbourne VIC 3000

Auditors

KPMG 147 Collins Street
Melbourne VIC 3000

Solicitors

Freehills
QV1 Building
250 St Georges Terrace
Perth WA 6000

Stock Exchange Listings

Australian Securities Exchange Limited
Shares in St Barbara Limited are quoted on the Australian Securities Exchange
Ticker Symbol: SBM
Singapore Exchange Listing – Convertible Notes

FSC
Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fibre
www.fsc.org Cert no. SCS-COC-001320

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St Barbara LIMITED

St Barbara Limited ABN 36 009 165 066