FY17 Financial Report, Appendix 4E, briefing and audio webcast

St Barbara Limited (ASX:SBM) (the "Company") reported statutory net profit after tax of $158 million for the year ended 30 June 2017 (2016: $169 million) and cash flow from operating activities of $303 million (2016: $243 million).

Highlights

- Record safety performance of 1.2 TRIFR[1]
- Underlying net profit after tax[2] of $160 million for the year
- Record annual consolidation production[3] of 381,101 ounces
- Record low All-In Sustaining Cost[1] of $907 per ounce
- Total cash at bank of $161 million as at 30 June 2017
- 6 cents per share fully franked dividend (in respect of the 2017 financial year) declared 7 August 2017

Financial Results		**FY17**	**FY16**	**Change**
Underlying EBITDA[2]	$ million	321	284	+13%
Underlying net profit after tax[2]	$ million	160	127	+26%
Statutory net profit after tax	$ million	158	169	-7%
Cash flow from operating activities	$ million	303	243	+25%
Earnings per share (basic)	cents	31.7	34.2	-7%
Underlying earnings per share (basic) [2]	cents	32.3	25.7	+26%
Dividends per share	cents	6	n/a	-
Return on capital employed[2]	%	55%	49%	6 points
Realised gold price	$ / oz	1,685	1,595	+6%

Details of the results for the financial year ended 30 June 2017 are set out in the attached Appendix 4E and Directors' and Financial Report.

St Barbara Managing Director and Chief Executive Officer, Mr Bob Vassie, commented, "The Company achieved record results in FY17 and we have a strong foundation on which to grow into the future. We delivered record cash contribution from operations, we are debt free, and I am delighted that we are able to reward shareholders with a 6 cents per share fully franked final dividend.

"Our future is bright and we have key growth projects underway, headlined by our $100 million Gwalia Extension Project that will create further value for shareholders. We are also well position to consider inorganic growth opportunities where they increase shareholder value. "

Mr Vassie and Mr Garth Campbell-Cowan, Chief Financial Officer, will host a conference call for analysts and institutional investors to discuss the full year financial results at **11:00 am Australian Eastern Standard Time** (UTC + 10 hours) **on Wednesday 23 August 2017.** A live audio webcast of the briefing will be available on St Barbara's website at www.stbarbara.com.au/investors/webcast/ or by clicking here. The audio webcast is 'listen only'. The audio webcast will subsequently be made available on the website.

1 Total Recordable Injury Frequency Rate per million hours worked (12 month average)
2 This is a non-IFRS measure which is detailed in the attached FY17 Directors' and Financial Report
3 Production from continuing operations

Investor Relations	Mr Alistair Reid	Manager Investor Relations	+61 3 8660 1900
Media Relations	Mr Tim Duncan	Hinton & Associates	+61 3 9600 1979

St Barbara Limited Level 10, 432 St Kilda Road, Melbourne VIC 3004 **T** +61 3 8660 1900 **F** +61 3 8660 1999
ACN 009 165 066 Locked Bag 9, Collins Street East, Melbourne VIC 8003 **W** www.stbarbara.com.au

St Barbara
LIMITED

Appendix 4E

For the year ended 30 June 2017

Preliminary Final Report

Financial year ended 30 June 2017

This information should be read in conjunction with the St Barbara Limited 2017 Financial Report attached.

Name of entity

St Barbara Limited

ABN or equivalent company reference

36 009 165 066

Results for announcement to the market

		% Change		**A$'000**
Revenue and other income	up	5%	to	643,736
Profit after tax from ordinary activities (before significant items) attributable to members - Underlying *(Prior year underlying profit: $127,357,000)*	up	26%	to	160,366
Net profit attributable to members of the parent entity (*Prior year net profit: $169,388,000)*	down	7%	to	157,572

During the year there were a number of significant items that had a material impact on the income statement of the consolidated entity as set out in the table below:

	Year ended 30 June 2017 A$'000	Year ended 30 June 2016 A$'000
Net profit after tax as reported – Statutory Profit	**157,572**	169,388
Significant Items		
Asset impairment and write downs	**27,273**	-
Gain on sale of KOTH and Kailis	**-**	(14,056)
Tax adjustment	**(24,479)**	(27,975)
Underlying net profit after tax	**160,366**	127,357

Dividends

The Company did not declare or pay any dividends during the year or in the prior year.

Subsequent to year end, the Board has declared a fully franked dividend of 6 cents per ordinary share.

Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.

During the 2017 financial year the Group recorded another year of strong financial performance, with key achievements over the year being:

- Statutory net profit after tax of $157,572,000 (2016: $169,388,000) for the year ended 30 June 2017.
- Repayment of the U.S. debt that commenced in June 2015 resulted in a significant reduction in interest paid. Total finance costs of $19,961,000 (2016: $35,749,000) reflected the benefit of the lower interest expense.
- Cash flows from operations of $301,314,000 (2016: $269,199,000) reflecting the strong performance of both Gwalia and Simberi.
- Full repayment of the U.S. senior secured notes and other facilities totalling $228,564,000 (2016: $142,096,000), strengthening the Group's balance sheet.

To provide additional clarity into the performance of the operations underlying measures for the year are reported, together with the statutory results. Underlying net profit after tax, representing net profit excluding significant items, was $160,366,000 for the year (2016: $127,357,000).

Cash on hand at 30 June 2017 was $160,909,000 (2016: $136,689,000). Total interest bearing borrowings were $547,000 (2016: $226,318,000). US$167,975,000 US senior secured notes at 30 June 2016 were repaid during the year, with the final principal repayment made on 15 March 2017.

The consolidated result for the year is summarised as follows:

	2017 $'000	2016 $'000
EBITDA(3)(6) (including significant items)	293,302	298,106
EBIT(2)(6) (including significant items)	207,719	217,191
Profit before tax(4)	189,706	183,402
Statutory profit (1) after tax for the year	**157,572**	**169,388**
Total net significant items after tax	(2,794)	42,031
EBITDA (6) (excluding significant items)	320,575	284,050
EBIT (6) (excluding significant items)	234,992	203,135
Profit before tax (excluding significant items)	216,679	169,346
Underlying net profit after tax(5)(6) for the year	**160,366**	**127,357**

(1) Statutory profit is net profit after tax attributable to owners of the parent.
(2) EBIT is earnings before interest revenue, finance costs and income tax expense.
(3) EBITDA is EBIT before depreciation and amortisation.
(4) Profit before tax is earnings before income tax expense.
(5) Underlying net profit after income tax is net profit after income tax ("Statutory Profit") excluding significant items as described in Note 3 to the financial statements.
(6) EBIT, EBITDA and underlying net profit after tax are non-IFRS financial measures, which have not been subject to review or audit by the Group's external auditors. These measures are presented to enable understanding of the underlying performance of the Group by users.

Details of significant items included in the Statutory Profit for the year are displayed in the table below. Descriptions of each item are provided in Note 3 to the financial report.

	2017 $'000	2016 $'000
Asset impairments and write downs	(27,273)	-
Gain on sale of KOTH and Kailis	-	14,056
Significant items before tax	**(27,273)**	**14,056**
Significant items after tax	**(2,794)**	**42,031**

Overview of Operating Results

During the 2017 financial year the Group's operations continued to achieve record production, cost and safety performance.

Safety of people working across the Group is of paramount importance and this focus has been demonstrated through the improvement in the total recordable injury frequency rate (TRIFR) to a new record of 1.2 as at 30 June 2017 (2016: 2.1), calculated as a rolling 12 month average.

Total production for the Group in the 2017 financial year was 381,101 ounces of gold (2016: 386,564 ounces), and gold sales amounted to 380,173 ounces (2016: 381,761 ounces) at an average gold price of $1,685 per ounce (2016: $1,595 per ounce). The prior year gold production and sales included 9,112 ounces from King of the Hills which was disposed of in October 2015.

Consolidated All-In Sustaining Cost (AISC) for the Group was $907 per ounce in 2017 (2016: $933 per ounce), reflecting the benefits of strong results achieved at Gwalia and Simberi.

Total net cash contribution from the operations was $301,314,000 (2016: $269,199,000) as a result of the record performance from Gwalia and Simberi, which was after capital expenditure and funding of growth capital related to the extension project and deep drilling program at Gwalia.

The table below provides a summary of the underlying profit before tax from continued operations in Australia and at Simberi.

Year ended 30 June 2017 $'000	**Australian Operations**	**Simberi Operations**	**Consolidated**
Revenue	441,947	199,755	641,702
Mine operating costs	(143,107)	(124,137)	(267,244)
Gross Profit	**298,840**	**75,618**	**374,458**
Royalties	(17,303)	(4,471)	(21,774)
Depreciation and Amortisation	(61,903)	(19,838)	(81,803)
Underlying profit from operations[(1)]	**219,634**	**51,309**	**270,943**

(1) Excludes impairment losses, corporate costs, exploration expenses, interest and tax and is non-IFRS financial information, which has not been subject to review or audit by the Group's external auditors. The measure is presented to enable an understanding of the underlying performance of the operations.

The table below provides a summary of the cash contribution, after capital expenditure, from continued operations in Australia and at Simberi.

Year ended 30 June 2017 $'000	**Australian Operations**	**Simberi Operations**	**Consolidated**
Operating cash contribution	279,040	73,454	352,494
Capital expenditure – sustaining	(30,206)	(3,711)	(33,917)
Capital expenditure - growth[(2)]	(9,402)	-	(9,402)
Capital expenditure – Gwalia Extension Project	(7,861)	-	(7,861)
Cash contribution[(1)]	**231,571**	**69,743**	**301,314**

(1) Cash contribution is non-IFRS financial information, which has not been subject to review by the Group's external auditors. This measure is provided to enable an understanding of the cash generating performance of the operations.
(2) Growth capital at Gwalia represents the deep drilling expenditure.

Analysis of Australian Operations

Total sales revenue from the Leonora operations of $441,947,000 (2016: $440,333,000) was generated from gold sales of 260,828 ounces (2016: 276,210 ounces) in the year at an average achieved gold price of $1,692 per ounce (2016: $1,592 per ounce). During the 2017 year, revenue benefitted from the significantly higher average gold price. The decrease in gold ounces sold was mainly attributable to the King of the Hills mine, which contributed 9,112 ounces in the prior year before its divestment in October 2015.

A summary of production performance for the year ended 30 June 2017 is provided in the table below.

Details of 2017 Production Performance

		Gwalia		**King of the Hills**	
		2017	2016	**2017**	2016
Underground Ore Mined	kt	**790**	924	**-**	-
Grade	g/t Au	**10.7**	9.3	**-**	-
Ore Milled (including stockpiles)	kt	**828**	951	**-**	76
Grade	g/t Au	**10.3**	9.1	**-**	3.9
Recovery	%	**97**	96	**-**	95
Gold Production	oz	**265,057**	267,166	**-**	9,112
Cash Cost[(1)]	A$/oz	**592**	609	**-**	893
All-In Sustaining Cost (AISC) [(2)]	A$/oz	**785**	783	**-**	964

(1) Cash operating costs are mine operating costs including government royalties, and after by-product credits. This is a non-IFRS financial measure which has not been subject to review or audit by the Group's external auditors. It is presented to provide meaningful information to assist management, investors and analysts in understanding the results of the operations. Cash operating costs are calculated according to common mining industry practice using The Gold Institute (USA) Production Cost Standard (1999 revision).

(2) All-In Sustaining Cost (AISC) is based on cash operating costs, and adds items relevant to sustaining production. It includes some but not all, of the components identified in World Gold Council's Guidance Note on Non-GAAP Metrics – All-In Sustaining Costs and All-In Costs (June 2013), which is a non-IFRS financial measure.

Gwalia

Gwalia produced 265,057 ounces of gold in 2017 (2016: 267,166 ounces). The consistent high performance at Gwalia reflects the positive impact of improvements in productivity and successful implementation of innovations in mining achieved since 2015.

Ore tonnes mined from the Gwalia underground mine decreased to 790,000 tonnes in 2017 from 924,000 tonnes in 2016, largely due to mine sequencing issues and weather related delays in the March 2017 quarter.

Ore mined grades increased from 9.3 grams per tonne in 2016 to 10.7 grams per tonne in 2017, mainly due to reduced dilution and high grade shoots present in stopes that cannot be reliably estimated by production drilling. Ore milled grade increased from 9.1 grams per tonne in 2016 to 10.3 grams per tonne in line with the higher grade of ore mined. The Gwalia mill continued to perform strongly in 2017, with the average recovery improving to 97% (2016: 96%).

Gwalia unit cash operating costs for the year were $592 per ounce (2016: $609 per ounce), reflecting the benefit of higher average grade and sustained production efficiencies through innovations. The unit All-In Sustaining Cost (AISC)(2) for Gwalia was $785 per ounce in 2017 (2016: $783 per ounce). Total cash operating costs at Gwalia of $156,914,000 were lower compared with the prior year (2016: $162,704,000) due mainly to the lower production volumes.

In 2017 Gwalia generated net cash flows, after capital and deep drilling expenditure, of $231,571,000 (2016: $223,616,000). The deep drilling program in 2017 targeted extensions to the Gwalia lode system below 2,000 metres below surface with expenditure in the year totalling $9,402,000 (2016: $9,006,000 – targeted extensions down to 2,000 metres below surface).

During the year the Board approved capital expenditure relating to the Gwalia extension project. The project will enable underground mining at Gwalia to extend to at least 2,000 metres below surface, as well as providing the foundation for potential further extensions. The project has an overall budget of $100,000,000 and will take two and a half to three years to construct. Expenditure incurred during the year totalled $7,861,000 (2016: $Nil).

Analysis of Simberi Operations

During 2017 the Simberi operation continued to build on the successful turnaround achieved in 2016. Total sales revenue from Simberi in 2017 was $199,755,000 (2016: $169,782,000), generated from gold sales of 119,345 ounces (2016: 105,551 ounces) at an average achieved gold price of A$1,669 per ounce (2016: A$1,604 per ounce).

A summary of production performance at Simberi for the year ended 30 June 2017 is provided in the table below.

Details of 2017 Production Performance

		Simberi	
		30 June 2017	**30 June 2016**
Open Pit Ore Mined	kt	**4,020**	3,372
Grade	g/t Au	**1.13**	1.26
Ore Milled (including stockpiles)	kt	**3,690**	3,315
Grade	g/t Au	**1.19**	1.26
Recovery	%	**82**	82
Gold Production	oz	**116,044**	110,286
Cash Cost(1)	A$/oz	**1,092**	1,143
All-In Sustaining Cost (AISC)(2)	A$/oz	**1,187**	1,293

(1) Cash operating costs are mine operating costs including government royalties, and after by-product credits. This is a non-IFRS financial measure which has not been subject to review or audit by the Group's external auditors. It is presented to provide meaningful information to assist management, investors and analysts in understanding the results of the operations. Cash operating costs are calculated according to common mining industry practice using The Gold Institute (USA) Production Cost Standard (1999 revision).

(2) All-In Sustaining Cost (AISC) is based on cash operating costs, and adds items relevant to sustaining production. It includes some but not all, of the components identified in World Gold Council's Guidance Note on Non-GAAP Metrics – All-In Sustaining Costs and All-In Costs (June 2013), which is a non-IFRS financial measure.

Simberi

Simberi production of 116,044 ounces of gold was the highest since the Group acquired the operations in September 2012 (2016: 110,286 ounces).

Ore tonnes mined and total volume of material moved has increased significantly since 2015. Ore mined in 2017 totalled 4,020,000 tonnes, which was an increase of 19% on the prior year. The increase in mining performance in the 2017 financial year was largely attributable to continuous improvements introduced during the prior year and further operating efficiencies across the operations.

Ore mined grades were generally lower than the prior year at 1.13 grams per tonne gold (2016: 1.26 grams per tonne). The overall grade in 2017 was impacted by the new Pigibo pit in the first quarter of the year, where the upper area of the pit comprised ore with low density. Ore mined grades over the remainder of 2017 improved as waste stripping efforts successfully exposed higher grade ore areas.

Ore milled increased to 3,690,000 tonnes (2016: 3,315,000 tonnes), reflecting improvements in both Aerial Rope Conveyor and mill throughput.

Simberi unit cash operating costs for the year were $1,092 per ounce (2016: $1,143 per ounce), reflecting the positive impact of increased production and lower operating costs. The unit All-In Sustaining Cost (AISC) for Simberi for the year was $1,187 per ounce (2016: $1,293 per ounce). Total cash operating costs at Simberi during the 2017 year were consistent with prior year at $126,720,000 (2016: $126,057,000) despite the significant increase in mining activity and ore milled.

In 2017 Simberi generated positive net cash flows, after capital expenditure, of $69,743,000 (2016: $33,808,000).

Discussion and analysis of the income statement

Revenue

Total revenue increased from $610,115,000 in 2016 to $641,702,000 in 2017. Revenue from Leonora and Simberi was higher than the previous year due to the higher average gold price and an increase in ounces sold at Simberi.

Mine operating costs

Mine operating costs in 2017 were $267,244,000 compared with $280,927,000 in the prior year. The decrease in operating costs was mainly due to lower mining volumes at Gwalia, together with the fact that the prior year included some costs related to King of the Hills.

Other revenue and income

Interest revenue was $1,948,000 (2016: $1,960,000), earned on cash held.

Other income for the year was $86,000 (2016: $3,564,000).

Exploration

Total exploration expenditure incurred during the 2017 year amounted to $20,083,000 (2016: $15,792,000), with an amount of $9,436,000 (2016: $9,006,000) capitalised, relating to drilling expenditure at Gwalia. Exploration expenditure expensed in the income statement in the year was $10,647,000 (2016: $6,786,000). Exploration activities during the year focused on investigating highly prospective near mine high grade oxide targets at Simberi, undertaking an extensive deep drilling program at Gwalia, 3D Seismic programs at Gwalia and regional exploration in Western Australia.

Corporate costs

Corporate costs for the year of $20,977,000 (2016: $19,184,000) comprised mainly expenses relating to the corporate office and compliance related costs. Expenditure in 2017 was marginally higher than in the prior year as a result of increased business development activities.

Royalties

Royalty expenses for the year were $21,774,000 (2016: $21,455,000). Royalties paid in Western Australia are 2.5% of gold revenues, plus a corporate royalty of 1.5% of gold revenues. Royalties paid in Papua New Guinea are 2.25% of gold revenues earned from the Simberi mine. The increase in royalty expenses in 2017 was attributable to increased gold revenue from Leonora and Simberi.

Depreciation and amortisation

Depreciation and amortisation of fixed assets and capitalised mine development amounted to $85,583,000 (2016: $80,915,000) for the year. Depreciation and amortisation attributable to the Australian operations was $61,903,000 (2016: $63,492,000). The expense at Simberi was $19,838,000 (2015: $12,098,000), with the higher charge due to increased production and alignment of remaining asset lives with the current life of mine following the completion of the strategic review during the year.

Impairment losses and asset write downs

At 31 December 2016, an impairment loss of $27,273,000 was recognised against the Group's Simberi cash generating unit (2016: $Nil) and further information is provided in Note 7 to the financial statements.

Other expenses

Other expenditure of $3,608,000 (2016: $1,967,000) included amounts associated with share based payments and charges for Company projects.

Net finance costs

Finance costs in the year were $19,961,000 (2016: $35,749,000). Finance costs comprised interest paid and payable on borrowings and finance leases of $7,444,000 (2016: $28,608,000), borrowing costs relating to the senior secured notes amortised and premium paid for early repayment of $10,859,000 (2016: $5,434,000) and the unwinding of the discount on the rehabilitation provision of $1,658,000 (2016: $1,707,000).

Net foreign exchange gain

A net foreign exchange gain of $3,037,000 was recognised for the year (2016: net gain of $142,000), which included a realised foreign currency gain of $2,125,000 (2016: loss of $7,899,000) on repayments of US denominated debt during the year and a net realised/unrealised currency gain of $1,390,000 (2016: net gain of $7,993,000) related to Australian and US intercompany loans and third party balances.

Income tax

An income tax expense of $32,134,000 was recognised for the 2017 year (2016: income tax expense of $14,014,000). Income tax expense of $58,905,000 on Australian taxable income included a provision of $10,478,000 for research and development credits previously recognised by the Company for projects which AusIndustry reviewed during the year and assessed as ineligible in accordance with research and development legislation. Management maintain that the projects are eligible and have requested a review of AusIndustry's findings. The matter is currently following the statutory review process.

A tax credit of $26,775,000 has been booked relating to previously unrecognised PNG deferred tax assets. This amount has been booked based on the current life of mine plan for the Simberi operations.

Discussion and analysis of the cash flow statement

Operating activities

Cash flows from operating activities for the year were $303,226,000 (2016: $242,788,000), reflecting the benefit of higher receipts from customers and significantly lower payments to suppliers and employees compared to the prior year.

Receipts from customers of $640,354,000 (2016: $615,244,000) reflected the higher achieved gold price in 2017 and increased gold sales from Simberi. Payments to suppliers were $309,097,000 (2016: $336,805,000), with the reduction mainly attributable to lower mining volumes at Gwalia.

Payments for exploration expensed in the year amounted to $10,647,000 (2016: $6,786,000). Interest paid in the year was $11,304,000 (2016: $30,405,000), with the lower expense due to repayment of the US senior secured notes. Borrowing costs of $8,017,000 in the year (2016: $145,000) related to the premiums paid to retire the US senior secured notes prior to the 15 April 2018 maturity date.

Investing activities

Net cash flows used in investing activities amounted to $53,108,000 (2016: $46,122,000) for the year. Higher mine development expenditure of $32,036,000 (2016: $21,071,000) included expenditure related to the extension project at Gwalia.

Lower expenditure on property, plant and equipment of $9,796,000 in 2017 (2016: $16,057,000) was mainly due to lower expenditure at Simberi.

Exploration expenditure capitalised during the year totalled $9,436,000 (2016: $9,006,000), which related to the deep drilling program at Gwalia.

Investing expenditure during the year was in the following major areas:

- Underground mine development and infrastructure at Gwalia – $24,175,000 (2016: $23,285,000)
- Gwalia extension project – $7,861,000 (2016: $Nil)
- Purchase of property, plant and equipment at Gwalia – $5,554,000 (2016: $3,780,000)
- Purchase of property, plant and equipment at Simberi – $3,711,000 (2016: $9,402,000)
- Investments in Catalyst Metals Limited and Peel Mining Limited shares totalling $4,540,000 (2016: $Nil)
- During the 2017 year the deferred proceeds related to the sale of King of the Hills amounting to $2,700,000 was received

Financing activities

Net cash flows related to financing activities in 2017 were a net outflow of $228,446,000 (2016: net outflow of $140,130,000). The main movements in financing cash flows included:

- Full repayment of the US senior secured notes of $225,409,000 (2016: $37,798,000).
- Premium funding payments of $2,209,000 (2016: $Nil).
- Repayment of finance leases amounting to $946,000 (2016: $2,225,000).
- In the prior year the Red Kite facility was fully repaid giving rise to a cash outflow of $102,073,000.

During the year cash backed banking guarantees of $118,000 were released (2016: $1,966,000).

Discussion and analysis of the balance sheet

Net assets and total equity

St Barbara's net assets and total equity increased substantially during the year by $160,513,000 to $461,127,000 as a result of the strong profit result and significant reduction in total liabilities with the full repayment of the US senior secured notes in 2017.

Non current assets decreased during the year by $32,508,000 mainly due to the impairment and asset write down at Simberi at 31 December 2016, together with depreciation and amortisation during the year.

Current trade and other payables decreased to $36,480,000 at 30 June 2017 (2016: $39,768,000), reflecting the reduction in operational expenditure during the year.

The deferred tax balance was a net liability of $1,822,000 (2016: net asset of $1,098,000). A current provision for tax payable of $29,692,000 was recognised at 30 June 2017 (2016: $Nil).

Debt management and liquidity

The available cash balance at 30 June 2017 was $160,909,000 (2016: $136,689,000), with no amounts held on deposit as restricted cash and reported within trade receivables (2016: $118,000).

Total interest bearing liabilities reduced to $547,000 at 30 June 2017 (2016: $226,318,000) representing lease liabilities.

The AUD/USD exchange rate as at 30 June 2017 was 0.7695 (30 June 2016: 0.7452).

Subsequent Events

No significant events have occurred after balance date for the year ended 30 June 2017, except for the following:

- Subsequent to year end, the directors have declared a fully franked final dividend of 6 cents per ordinary share to be paid on the 28 September 2017. A provision for this dividend has not been recognised in the 30 June 2017 financial statements.

Net tangible asset backing

	Current period	Previous corresponding period
Net tangible assets per ordinary security*	$0.93	$0.61

* Calculated as the Company's net tangible assets at period end divided by ordinary shares on issue at period end

Statement about the audit status

This preliminary final report is based on the St Barbara Limited and controlled entities financial report as at 30 June 2017, which has been audited by PricewaterhouseCoopers. The 30 June 2017 financial report contains the independent audit report to the members of St Barbara Limited.

Dated: 23 August 2017

Bob Vassie

Managing Director and CEO

Directors' and Financial Report

For the year ended 30 June 2017

Contents

Directors' Report

Directors

The Directors present their report on the "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 2017.

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

- T C Netscher
  Non-Executive Chairman
- R S Vassie
  Managing Director & CEO
- K J Gleeson
  Non-Executive Director
- D E J Moroney
  Non-Executive Director

The qualifications, experience and special responsibilities of the Directors are presented on page 13.

Principal activities

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

Dividends

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

Subsequent to year end, the Board has declared a fully franked dividend of 6 cents per ordinary share.

Overview of group results

The consolidated result for the year is summarised as follows:

	2017 $'000	2016 $'000
EBITDA[3][6]	**293,302**	298,106
EBIT[2][6]	**207,719**	217,191
Profit before tax[4]	**189,706**	183,402
Statutory profit [1] after tax	**157,572**	169,388
Total net significant items after tax	**(2,794)**	42,031
EBITDA [6] (excluding significant items)	**320,575**	284,050
EBIT [6] (excluding significant items)	**234,992**	203,135
Profit before tax (excluding significant items)	**216,979**	169,346
Underlying net profit after tax[5][6]	**160,366**	127,357

Details of significant items included in the statutory profit for the year are reported in the table below. Descriptions of each item are provided in Note 3 to the Financial Report.

	2017 $'000	2016 $'000
Asset impairments and write downs	**(27,273)**	-
Gain on sale of KOTH and Kailis	**-**	14,056
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Income tax	**24,479**	27,975
Significant items after tax	**(2,794)**	42,031

(1) Statutory profit is net profit after tax attributable to owners of the parent.
(2) EBIT is earnings before interest revenue, finance costs and income tax expense.
(3) EBITDA is EBIT before depreciation and amortisation.
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(5) Underlying net profit after income tax is net profit after income tax ("statutory profit") excluding significant items as described in Note 3 to the financial statements.
(6) EBIT, EBITDA and underlying net profit after tax are non-IFRS financial measures, which have not been subject to review or audit by the Group's external auditors. These measures are presented to enable understanding of the underlying performance of the Group by users.

During the 2017 financial year the Group recorded another year of strong financial performance, with key achievements over the year being:

- Statutory net profit after tax of $157,572,000 (2016: $169,388,000) for the year ended 30 June 2017.
- Repayment of the U.S. debt that commenced in June 2015 resulted in a significant reduction in interest paid. Total finance costs of $19,961,000 (2016: $35,749,000) reflected the benefit of the lower interest expense.
- Cash flows from operations of $301,314,000 (2016: $269,199,000) reflecting the strong performance of both Gwalia and Simberi.
- Full repayment of the U.S. senior secured notes and other facilities totalling $228,564,000 (2016: $142,096,000), strengthening the Group's balance sheet.

To provide additional clarity into the performance of the operations underlying measures for the year are reported, together with the statutory results. Underlying net profit after tax, representing net profit excluding significant items, was $160,366,000 for the year (2016: $127,357,000).

Cash on hand at 30 June 2017 was $160,909,000 (2016: $136,689,000). Total interest bearing borrowings were $547,000 (2016: $226,318,000). US$167,975,000 US senior secured notes at 30 June 2016 were repaid during the year, with the final principal repayment made on 15 March 2017.

The key shareholder returns for the year are presented in the table below.

	2017	2016
Basic earnings per share (cents per share)	**31.71**	34.21
Return on capital employed	**55%**	49%
Change in closing share price	**(1)%**	418%

Underlying shareholder returns for the year are presented in the table below.

	2017	2016
Basic earnings per share (cents per share)	**32.27**	25.72
Return on capital employed	**61%**	48%

The table below provides a summary of the underlying profit before tax from operations in Australia and at Simberi.

Year ended 30 June 2017 $'000	Australian Operations	Simberi Operations	Group
Revenue	441,947	199,755	641,702
Mine operating costs	(143,107)	(124,137)	(267,244)
Gross Profit	**298,840**	**75,618**	**374,458**
Royalties	(17,303)	(4,471)	(21,774)
Depreciation and amortisation	(61,903)	(19,838)	(81,741)
Underlying profit from operations(1)	**219,634**	**51,309**	**270,943**

(1) Excludes impairment losses, corporate costs, exploration expenses, interest and tax and is non-IFRS financial information, which has not been subject to review or audit by the Group's external auditors. The measure is presented to enable an understanding of the underlying performance of the operations.

The table below provides a summary of the cash contribution from operations in Australia and at Simberi.

Year ended 30 June 2017 $'000	Australian Operations	Simberi Operations	Group
Operating cash contribution	279,040	73,454	352,494
Capital expenditure – sustaining	(30,206)	(3,711)	(33,917)
Capital expenditure - growth(2)	(9,402)	-	(9,402)
Capital expenditure – Gwalia Extension Project	(7,861)	-	(7,861)
Cash contribution(1)	**231,571**	**69,743**	**301,314**

(1) Cash contribution is non-IFRS financial information, which has not been subject to audit by the Group's external auditors. This measure is provided to enable an understanding of the cash generating performance of the operations.

(2) Growth capital at Gwalia represents deep drilling expenditure.

Overview of operating results

During the 2017 financial year the Group's operations continued to achieve record production, cost and safety performance.

Safety of people working across the Group is of paramount importance and this focus has been demonstrated through the improvement in the total recordable injury frequency rate (TRIFR) to a new record of 1.2 as at 30 June 2017 (2016: 2.1), calculated as a rolling 12 month average.

Total production for the Group in the 2017 financial year was 381,101 ounces of gold (2016: 386,564 ounces), and gold sales amounted to 380,173 ounces (2016: 381,761 ounces) at an average gold price of $1,685 per ounce (2016: $1,595 per ounce). The prior year gold production and sales included 9,112 ounces from King of the Hills which was disposed of in October 2015.

Consolidated All-In Sustaining Cost (AISC) for the Group was $907 per ounce in 2017 (2016: $933 per ounce), reflecting the benefits of strong results achieved at Gwalia and Simberi.

Total net cash contribution from the operations was $301,314,000 (2016: $269,199,000) as a result of the record performance from Gwalia and Simberi, which was after capital expenditure and funding of growth capital related to the extension project and deep drilling program at Gwalia.

Analysis of Australian operations

Total sales revenue from the Leonora operations of $441,947,000 (2016: $440,333,000) was generated from gold sales of 260,828 ounces (2016: 276,210 ounces) in the year at an average achieved gold price of $1,692 per ounce (2016: $1,592 per ounce). During the 2017 year, revenue benefitted from the significantly higher average gold price. The decrease in gold ounces sold was mainly attributable to the King of the Hills mine, which contributed 9,112 ounces in the prior year before its divestment in October 2015.

A summary of production performance for the year ended 30 June 2017 is provided in the table below.

Details of 2017 production performance

	Gwalia		King of the Hills	
	2017	2016	**2017**	2016
Underground ore mined (kt)	**790**	924	-	-
Grade (g/t)	**10.7**	9.3	-	-
Ore milled (kt)	**828**	951	-	76
Grade (g/t)	**10.3**	9.1	-	3.9
Recovery (%)	**97**	96	-	95
Gold production (oz)	**265,057**	267,166	-	9,112
Cash cost [(1)] (A$/oz)	**592**	609	-	893
All-In Sustaining Cost (AISC) [(2)] (A$/oz)	**785**	783	-	964

(1) Cash operating costs are mine operating costs including government royalties, and after by-product credits. This is a non-IFRS financial measure which has not been subject to review or audit by the Group's external auditors. It is presented to provide meaningful information to assist management, investors and analysts in understanding the results of the operations. Cash operating costs are calculated according to common mining industry practice using The Gold Institute (USA) Production Cost Standard (1999 revision).

(2) All-In Sustaining Cost (AISC) is based on cash operating costs, and adds items relevant to sustaining production. It includes some but not all, of the components identified in World Gold Council's Guidance Note on Non-GAAP Metrics – All-In Sustaining Costs and All-In Costs (June 2013), which is a non-IFRS financial measure.

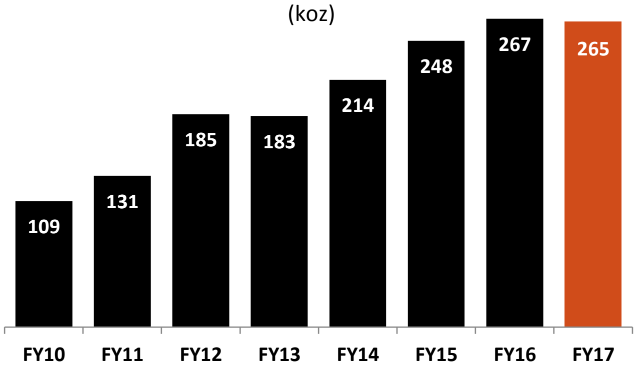
Gwalia

Gwalia produced 265,057 ounces of gold in 2017 (2016: 267,166 ounces). The consistent high performance at Gwalia reflects the positive impact of improvements in productivity and successful implementation of innovations in mining achieved since 2015.

Ore tonnes mined from the Gwalia underground mine decreased to 790,000 tonnes in 2017 from 924,000 tonnes in 2016, largely due to mine sequencing issues and weather related delays in the March 2017 quarter.

Ore mined grades increased from 9.3 grams per tonne in 2016 to 10.7 grams per tonne in 2017, mainly due to reduced dilution and high grade shoots present in stopes that cannot be reliably estimated by production drilling. Ore milled grade increased from 9.1 grams per tonne in 2016 to 10.3 grams per tonne in line with the higher grade of ore mined. The Gwalia mill continued to perform strongly in 2017, with the average recovery improving to 97% (2016: 96%).

Gwalia gold production
(koz)



Gwalia unit cash operating costs[(1)] for the year were $592 per ounce (2016: $609 per ounce), reflecting the benefit of higher average grade and sustained production efficiencies through innovations. The unit All-In Sustaining Cost (AISC)[(2)] for Gwalia was $785 per ounce in 2017 (2016: $783 per ounce). Total cash operating costs at Gwalia of $156,914,000 were lower compared with the prior year (2016: $162,704,000) due mainly to the lower production volumes.

In 2017 Gwalia generated net cash flows, after capital and deep drilling expenditure, of $231,571,000 (2016: $223,616,000). The deep drilling program in 2017 targeted extensions to the Gwalia lode system below 2,000 metres below surface with expenditure in the year totalling $9,402,000 (2016: $9,006,000 – targeted extensions down to 2,000 metres below surface).

During the year the Board approved capital expenditure relating to the Gwalia extension project. The project will enable underground mining at Gwalia to extend to at least 2,000 metres below surface, as well as providing the foundation for potential further extensions. The project has an overall budget of $100,000,000 and will take two and a half to three years to construct. Expenditure incurred during the year totalled $7,861,000 (2016: $Nil)

Analysis of Simberi operation

During 2017 the Simberi operation continued to build on the successful turnaround achieved in 2016. Total sales revenue from Simberi in 2017 was $199,755,000 (2016: $169,782,000), generated from gold sales of 119,345 ounces (2016: 105,551 ounces) at an average achieved gold price of A$1,669 per ounce (2016: A$1,604 per ounce).

A summary of production performance at Simberi for the year ended 30 June 2017 is provided in the table below.

Details of 2017 production performance

	Simberi	
	2017	2016
Open pit ore mined (kt)	**4,020**	3,372
Grade (g/t)	**1.13**	1.26
Ore milled (kt)	**3,690**	3,315
Grade (g/t)	**1.19**	1.26
Recovery (%)	**82**	82
Gold production (oz)	**116,044**	110,286
Cash cost(1) (A$/oz)	**1,092**	1,143
All-In Sustaining Cost (AISC)(2) (A$/oz)	**1,187**	1,293

(1) Cash operating costs are mine operating costs including government royalties, and after by-product credits. This is a non-IFRS financial measure which has not been subject to review or audit by the Group's external auditors. It is presented to provide meaningful information to assist management, investors and analysts in understanding the results of the operations. Cash operating costs are calculated according to common mining industry practice using The Gold Institute (USA) Production Cost Standard (1999 revision).

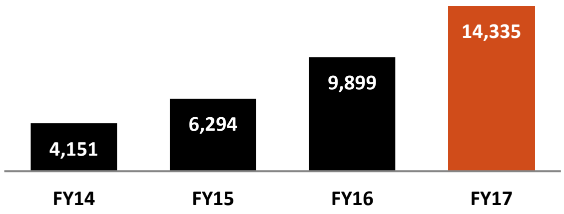
(2) All-In Sustaining Cost (AISC) is based on cash operating costs, and adds items relevant to sustaining production. It includes some but not all, of the components identified in World Gold Council's Guidance Note on Non-GAAP Metrics – All-In Sustaining Costs and All-In Costs (June 2013), which is a non-IFRS financial measure.

Simberi

Simberi production of 116,044 ounces of gold was the highest since the Group acquired the operations in September 2012 (2016: 110,286 ounces).

Ore tonnes mined and total volume of material moved has increased significantly since 2015. Ore mined in 2017 totalled 4,020,000 tonnes, which was an increase of 19% on the prior year. The increase in mining performance in the 2017 financial year was largely attributable to continuous improvements introduced during the prior year and further operating efficiencies across the operations.

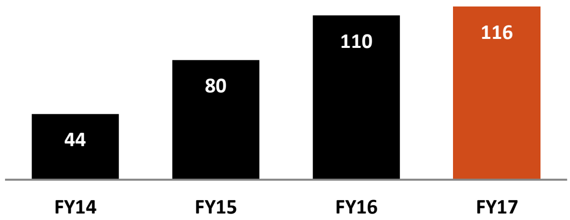
Simberi annual total material moved
(kt)



Ore mined grades were generally lower than the prior year at 1.13 grams per tonne gold (2016: 1.26 grams per tonne). The overall grade in 2017 was impacted by the new Pigibo pit in the first quarter of the year, where the upper area of the pit comprised ore with low density. Ore mined grades over the remainder of 2017 improved as waste stripping efforts successfully exposed higher grade ore areas.

Ore milled increased to 3,690,000 tonnes (2016: 3,315,000 tonnes), reflecting improvements in both Aerial Rope Conveyor and mill throughput.

Simberi gold production
(koz)



Simberi unit cash operating costs for the year were $1,092 per ounce (2016: $1,143 per ounce), reflecting the positive impact of increased production and lower operating costs. The unit All-In Sustaining Cost (AISC) for Simberi for the year was $1,187 per ounce (2016: $1,293 per ounce). Total cash operating costs at Simberi during the 2017 year were consistent with prior year at $126,720,000 (2016: $126,057,000) despite the significant increase in mining activity and ore milled.

In 2017 Simberi generated positive net cash flows, after capital expenditure, of $69,743,000 (2016: $33,808,000).

Discussion and analysis of the income statement

Revenue

Total revenue increased from $610,115,000 in 2016 to $641,702,000 in 2017. Revenue from Leonora and Simberi was higher than the previous year due to the higher average gold price and an increase in ounces sold at Simberi.

Mine operating costs

Mine operating costs in 2017 were $267,244,000 compared with $280,927,000 in the prior year. The decrease in operating costs was mainly due to lower mining volumes at Gwalia, together with the fact that the prior year included some costs related to King of the Hills.

Other revenue and income

Interest revenue was $1,948,000 (2016: $1,960,000), earned on cash held.

Other income for the year was $86,000 (2016: $3,564,000).

Exploration

Total exploration expenditure incurred during the 2017 year amounted to $20,083,000 (2016: $15,792,000), with an amount of $9,436,000 (2016: $9,006,000) capitalised, relating to drilling expenditure at Gwalia. Exploration expenditure expensed in the income statement in the year was $10,647,000 (2016: $6,786,000). Exploration activities during the year focused on investigating highly prospective near mine high grade oxide targets at Simberi, undertaking an extensive deep drilling program at Gwalia, 3D Seismic programs at Gwalia and regional exploration in Western Australia.

Corporate costs

Corporate costs for the year of $20,977,000 (2016: $19,184,000) comprised mainly expenses relating to the corporate office and compliance related costs. Expenditure in 2017 was marginally higher than in the prior year as a result of increased business development activities.

Royalties

Royalty expenses for the year were $21,774,000 (2016: $21,455,000). Royalties paid in Western Australia are 2.5% of gold revenues, plus a corporate royalty of 1.5% of gold revenues. Royalties paid in Papua New Guinea are 2.25% of gold revenues earned from the Simberi mine. The increase in royalty expenses in 2017 was attributable to increased gold revenue from Leonora and Simberi.

Depreciation and amortisation

Depreciation and amortisation of fixed assets and capitalised mine development amounted to $85,583,000 (2016: $80,915,000) for the year. Depreciation and amortisation attributable to the Australian operations was $61,903,000 (2016: $63,492,000). The expense at Simberi was $19,838,000 (2015: $12,098,000), with the higher charge due to increased production and alignment of remaining asset lives with the current life of mine following the completion of the strategic review during the year.

Impairment losses and asset write downs

At 31 December 2016, an impairment loss of $27,273,000 was recognised against the Group's Simberi cash generating unit (2016: $Nil) and further information is provided in Note 7 to the financial statements.

Other expenses

Other expenditure of $3,608,000 (2016: $1,967,000) included amounts associated with share based payments and charges for Company projects.

Net finance costs

Finance costs in the year were $19,961,000 (2016: $35,749,000). Finance costs comprised interest paid and payable on borrowings and finance leases of $7,444,000 (2016: $28,608,000), borrowing costs relating to the senior secured notes amortised and premium paid for early repayment of $10,859,000 (2016: $5,434,000) and the unwinding of the discount on the rehabilitation provision of $1,658,000 (2016: $1,707,000).

Net foreign exchange gain

A net foreign exchange gain of $3,037,000 was recognised for the year (2016: net gain of $142,000), which included a realised foreign currency gain of $2,125,000 (2016: loss of $7,899,000) on repayments of US denominated debt during the year and a net realised/unrealised currency gain of $1,390,000 (2016: net gain of $7,993,000) related to Australian and US intercompany loans and third party balances.

Income tax

An income tax expense of $32,134,000 was recognised for the 2017 year (2016: income tax expense of $14,014,000). Income tax expense of $58,905,000 on Australian taxable income included a provision of $10,478,000 for research and development credits previously recognised by the Company for projects which AusIndustry reviewed during the year and assessed as ineligible in accordance with research and development legislation. Management maintain that the projects are eligible and have requested a review of AusIndustry's findings. The matter is currently following the statutory review process.

A tax credit of $26,775,000 has been booked relating to previously unrecognised PNG deferred tax assets. This amount has been booked based on the current life of mine plan for the Simberi operations.

Discussion and analysis of the cash flow statement

Operating activities

Cash flows from operating activities for the year were $303,226,000 (2016: $242,788,000), reflecting the benefit of higher receipts from customers and significantly lower payments to suppliers and employees compared to the prior year.

Receipts from customers of $640,354,000 (2016: $615,244,000) reflected the higher achieved gold price in 2017 and increased gold sales from Simberi. Payments to suppliers were $309,097,000 (2016: $336,805,000), with the reduction mainly attributable to lower mining volumes at Gwalia.

Payments for exploration expensed in the year amounted to $10,647,000 (2016: $6,786,000). Interest paid in the year was $11,304,000 (2016: $30,405,000), with the lower expense due to repayment of the US senior secured notes. Borrowing costs of $8,017,000 in the year (2016: $145,000) related to the premiums paid to retire the US senior secured notes prior to the 15 April 2018 maturity date.

Investing activities

Net cash flows used in investing activities amounted to $53,108,000 (2016: $46,122,000) for the year. Higher mine development expenditure of $32,036,000 (2016: $21,071,000) included expenditure related to the extension project at Gwalia.

Lower expenditure on property, plant and equipment of $9,796,000 in 2017 (2016: $16,057,000) was mainly due to lower expenditure at Simberi.

Exploration expenditure capitalised during the year totalled $9,436,000 (2016: $9,006,000), which related to the deep drilling program at Gwalia.

Investing expenditure during the year was in the following major areas:

- Underground mine development and infrastructure at Gwalia – $24,175,000 (2016: $23,285,000)
- Gwalia extension project – $7,861,000 (2016: $Nil)
- Purchase of property, plant and equipment at Gwalia – $5,554,000 (2016: $3,780,000)
- Purchase of property, plant and equipment at Simberi – $3,711,000 (2016: $9,402,000)
- Investments in Catalyst Metals Limited and Peel Mining Limited shares totalling $4,540,000 (2016: $Nil)
- During the 2017 year the deferred proceeds related to the sale of King of the Hills amounting to $2,700,000 was received

Financing activities

Net cash flows related to financing activities in 2017 were a net outflow of $228,446,000 (2016: net outflow of $140,130,000). The main movements in financing cash flows included:

- Full repayment of the US senior secured notes of $225,409,000 (2016: $37,798,000).
- Premium funding payments of $2,209,000 (2016: $Nil).
- Repayment of finance leases amounting to $946,000 (2016: $2,225,000).
- In the prior year the Red Kite facility was fully repaid giving rise to a cash outflow of $102,073,000.

During the year cash backed banking guarantees of $118,000 were released (2016: $1,966,000).

Discussion and analysis of the balance sheet

Net assets and total equity

St Barbara's net assets and total equity increased substantially during the year by $160,513,000 to $461,127,000 as a result of the strong profit result and significant reduction in total liabilities with the full repayment of the US senior secured notes in 2017.

Non current assets decreased during the year by $32,508,000 mainly due to the impairment and asset write down at Simberi at 31 December 2016, together with depreciation and amortisation during the year.

Current trade and other payables decreased to $36,480,000 at 30 June 2017 (2016: $39,768,000), reflecting the reduction in operational expenditure during the year.

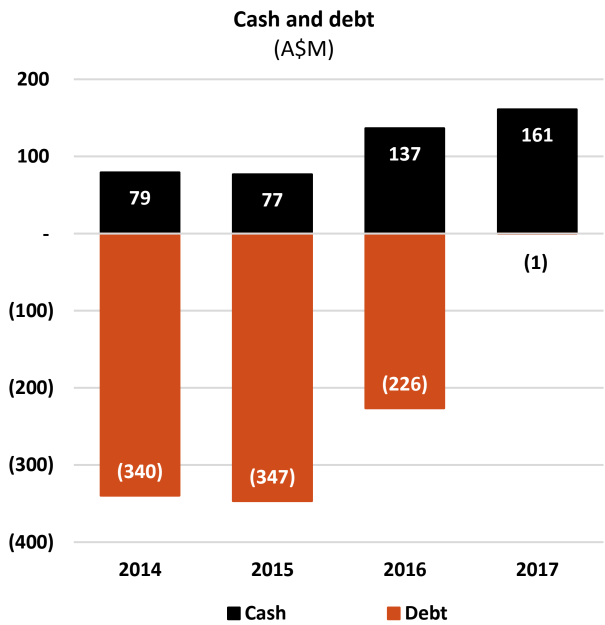
The deferred tax balance was a net liability of $1,822,000 (2016: net asset of $1,098,000). A current provision for tax payable of $29,692,000 was recognised at 30 June 2017 (2016: $Nil).

Debt management and liquidity

The available cash balance at 30 June 2017 was $160,909,000 (2016: $136,689,000), with no amounts held on deposit as restricted cash and reported within trade receivables (2016: $118,000).

Total interest bearing liabilities reduced to $547,000 at 30 June 2017 (2016: $226,318,000) representing lease liabilities.

The AUD/USD exchange rate as at 30 June 2017 was 0.7695 (30 June 2016: 0.7452).



Business strategy and future prospects

St Barbara's strategic focus is on mining lower cost gold deposits in Australia and at Simberi in Papua New Guinea. Currently the Group has a diversified asset portfolio spanning underground and open cut mines, and exploration projects in Australia and Papua New Guinea. A successful turnaround was completed at the Simberi operations during the prior year through optimisation of the processing plant, improving the mining fleet, and productivity improvements in mining operations, which has continued in the 2017 year.

St Barbara's strategy is to generate shareholder value through the discovery and development of gold deposits and production of gold. The Group aligns its decisions and activities to this strategy by focusing on key value drivers: relative total shareholder returns, growth in gold ore reserves, return on capital employed and exploration success.

During the 2017 financial year the Group achieved a number of strategic milestones:

- Record annual gold production was achieved at Simberi, and Gwalia continued its consistent strong performance. At Gwalia performance was broadly in line with the prior year's record production. At Simberi the turnaround of the operations that commenced in the prior year was further consolidated in 2017.
- Record safety performance for the Group, reporting a Total Recordable Injury Frequency Rate (TRIFR) of 1.2 (2016: 2.1).
- Through strong cash generation from the operations the Group reduced its debt by $228,564,000 (2016: $142,096,000), repaying the US senior secured notes in full, twelve months ahead of schedule.
- During the year the deep drilling program at Gwalia resulted in an increase to Mineral Resources and Ore Reserves, and the exploration programs in Western Australia and Simberi on the neighbouring islands were advanced.
- Subsequent to year end the Board declared a fully franked dividend of 6 cents per ordinary share to be paid on 28 September 2017.

Strategic drivers for the business include:

- *Optimising cash flow and reducing the cost base:* The Group is focused on optimising cash flow from operations through maximising production and managing costs at its existing operations, enhancing operating capabilities and incorporating new technologies across St Barbara. The Group will continue to identify opportunities to enhance productivity and improve operating performance in a volatile gold market.

- *Improving productivity*: The Group is focused on maintaining consistent operations at Gwalia and Simberi. St Barbara continues to invest to improve infrastructure, mining fleets and capability to ensure consistent and reliable production at its operations.

- *Growing the ore reserve base through the development of existing Mineral Resources and exploration activities:* A number of potential organic growth opportunities have been identified, which could increase production and extend the life of the Gwalia and Simberi operations. During 2017 a deep drilling program continued at Gwalia with the objective to extend the Gwalia mineral resource and develop the case for mining below the current reserve. At Simberi, a sulphide ore reserve, which has been estimated at 1.4 Moz, provides an opportunity to create a long life production centre at Simberi, while incremental extensions to the oxide mine life at Simberi is also a focus. In addition the Group is generating and evaluating exploration targets in the Tabar Island Group in Papua New Guinea and on its tenements in regional Western Australia.

- *Maintaining a conservative financial profile:* The Group will continue to maintain prudent financial management policies with the objective of maintaining liquidity to ensure appropriate investments in the operations. The Group's financial management policies are aimed at generating net cash flows from operations to meet financial commitments and fund exploration to the extent viable and appropriate. The Group's capital management plan is reviewed and discussed with the Board on a regular basis. During 2017 the Company successfully repaid all of its US debt ahead of schedule using the strong cash flows generated by the operations.

- *Continue and strengthen the Group's commitment to employees and local communities:* The Group considers the capability and wellbeing of its employees as key in delivering the business strategy. Creating and sustaining a safe work environment and ensuring that operations conform to applicable environmental and sustainability standards are an important focus for the Group. The Group invests in the training and development of its employees, talent management and succession planning.

  The Company views such efforts as an important component of instilling St Barbara's values throughout the organisation and retaining continuity in the workforce. The Group has implemented a comprehensive talent management framework to strengthen the capacity to attract, motivate and retain capable people. The Group also has an ongoing commitment to work with local communities to improve infrastructure, particularly in health and education, support local businesses, and provide venues for leisure activities, and other opportunities for developing communities in which the Group operates.

Within Australia, the Gwalia underground mine with ore reserves of 2.1 million ounces remains the flagship asset of the Group, generating strong cash flows. To optimise the value of ongoing truck haulage at Gwalia the extension project was approved by the Board in March 2017 with a budget of $100 million; truck haulage with additional ventilation was identified as the preferred long term materials movement solution for the mine. The Project consists of two main components, a ventilation upgrade and paste aggregate fill involving mixing paste from surface with waste crushed underground to fill stope cavities.

In Papua New Guinea, a prefeasibility study (PFS) for the Simberi sulphide project was completed during 2016. A strategic review of the PNG assets, including the Simberi mine, was completed in September 2016. As a result of the review it was decided that St Barbara would retain ownership and continue to operate the Simberi mine. In addition the St Barbara Group entered into an Option and Farm-in Agreement with Newcrest PNG Exploration Limited for copper-gold porphyry exploration on the tenements on the Tatau and Big Tabar Islands.

The Group's 2018 financial year budget was developed in the context of a volatile gold market and strengthening Australian dollar against the United States dollar. The Group's priorities in the 2018 financial year are to continue consistent production from Gwalia and Simberi, drive productivity improvements at both operations and contain capital expenditure. For the 2018 financial year the Group's operational and financial outlook is as follows:

- Gold production is expected to be in the range 350,000 to 375,000 ounces.
- All-In Sustaining Cost is expected to be in the range of $970 per ounce to $1,035 per ounce.
- Sustaining capital expenditure is expected to be in the range of $40 million to $45 million.
- Growth capital at Gwalia is anticipated to be between $50 million to $55 million.

- Exploration expenditure is anticipated to be between $16 million and $20 million.

The focus for the exploration program in 2018 will be to continue the deep drilling at Gwalia, continued exploration at Pinjin in Western Australia and to drill targets on the Tatau and Big Tabar islands in Papa New Guinea.

Material business risks

St Barbara prepares its business plan using estimates of production and financial performance based on a business planning system and a range of assumptions and expectations. There is uncertainty in these assumptions and expectations, and risk that variation from them could result in actual performance being different to planned outcomes. The uncertainties arise from a range of factors, including the Group's international operating scope, nature of the mining industry and economic factors. The material business risks faced by the Group that may have an impact on the operating and financial prospects of the Group as at 30 June 2017 are:

- *Fluctuations in the United States Dollar ("USD") spot gold price:* Volatility in the gold price creates revenue uncertainty and requires careful management of business performance to ensure that operating cash margins are maintained despite a fall in the spot gold price.

  Declining gold prices can also impact operations by requiring a reassessment of the feasibility of a particular exploration or development project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment could cause substantial delays and/or interrupt operations, which may have a material adverse effect on the results of operations and financial condition.

  In assessing the feasibility of a project for development, the Group may consider whether a hedging instrument should be put in place in order to guarantee a minimum level of return. For example, the Group put in place a gold collar structure when the King of the Hills project was commissioned, and used gold forward contracts to secure revenues during the completion of the turnaround at Simberi.

  The Group has a centralised treasury function that monitors the risk of fluctuations in the USD gold price and impacts on expenditures from movements in local currencies. Where possible, the exposure to movements in the USD relative to USD denominated expenditure is offset by the exposure to the USD gold price (a natural hedge position).

- *Government regulation:* The Group's mining, processing, development and exploration activities are subject to various laws and statutory regulations governing prospecting, development, production, taxes, royalty payments, labour standards and occupational health, mine safety, toxic substances, land use, water use, communications, land claims of local people and other matters.

  No assurance can be given that new laws, rules and regulations will not be enacted or that existing laws, rules and regulations will not be applied in a manner which could have an adverse effect on the Group's financial position and results of operations. Any such amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Group. Failure to comply with any applicable laws, regulations or permitting requirements may result in enforcement actions against the Group, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

- *Operating risks and hazards:* The Group's mining operations, consisting of open pit and underground mines, generally involve a high degree of risk, and these risks increase when mining occurs at depth. The Group's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold. Processing operations are subject to hazards such as equipment failure, toxic chemical leakage, loss of power, fast-moving heavy equipment, failure of deep sea tailings disposal pipelines and retaining dams around tailings containment areas, rain and seismic events which may result in environmental pollution and consequent liability. The impact of these events could lead to disruptions in production and scheduling, increased costs and loss of facilities, which may have a material adverse impact on the Group's results of operations, financial condition and prospects. These risks are managed by a structured operations risk management framework.

- *Reliance on transportation facilities and infrastructure:* The Group depends on the availability and affordability of reliable transportation facilities and infrastructure (e.g. roads, bridges, airports, power sources and water supply) to deliver consumables to site, and final product to market. Interruption in the provision of such infrastructure (e.g. due to adverse weather; community or government interference) could adversely affect St Barbara's operations, financial condition and results of operations. The Group's operating procedures include business continuity plans which can be enacted in the event a particular piece of infrastructure is temporarily unavailable.

- *Production, cost and capital estimates:* The Group prepares estimates of future production, operating costs and capital expenditure relating to production at its operations. The ability of the Group to achieve production targets, or meet operating and capital expenditure estimates on a timely basis cannot be assured. The assets of the Group are subject to uncertainty with regards to ore tonnes, grade, metallurgical recovery, ground conditions, operational environment, funding for development, regulatory changes, accidents and other unforeseen circumstances such as unplanned mechanical failure of plant and equipment. Failure to achieve production, cost or capital estimates, or material increases to costs, could have an adverse impact on the Group's future cash flows, profitability and financial condition. The development of estimates is managed by the Group using a rigorous budgeting and forecasting process. Actual results are compared with forecasts to identify drivers behind discrepancies which may result in updates to future estimates.

- *Gwalia Extension Project:* The project to install an underground paste aggregate fill plant and ventilation upgrade are critical to enabling mining at depth. Any material delays in completing the project, or material defects in the design or construction of the project, may have an adverse impact on the productivity of the mine due to ineffective handling of waste, or prevent mining at depth due to inadequate ventilation. The Group is managing these risks through the establishment and oversight of a dedicated project team, thorough procurement processes to ensure appropriate qualified and expert suppliers are engaged to design and construct each component, and regular reviews by senior management of project progress on critical path elements.

- *Changes in input costs:* Mining operations and facilities are intensive users of electricity, gas and carbon-based fuels. Energy prices can be affected by numerous factors beyond the Group's control, including global and regional supply and demand, carbon taxes, inflation, political and economic conditions, and applicable regulatory regimes. The prices of various sources of energy may increase significantly from current levels.

The Group's production costs are also affected by the prices of commodities it consumes or uses in its operations, such as diesel, lime, sodium cyanide and explosives. The prices of such commodities are influenced by supply and demand trends affecting the mining industry in general and other factors outside the Group's control. Increases in the price for materials consumed in St Barbara's mining and production activities could materially adversely affect its results of operations and financial condition.

Certain of the Group's operations use contractors for the bulk of the mining services at those operations, and some of its construction projects are conducted by contractors. As a result, the Group's operations are subject to a number of risks, including:

- negotiation and renewal of agreements with contractors on acceptable terms;
- failure of contractors to perform under their agreements, including failure to comply with safety systems and standards, contractor insolvency and failure to maintain appropriate insurance;
- failure of contractors to comply with applicable legal and regulatory requirements; and
- changes in contractors.

In addition, St Barbara may incur liability to third parties as a result of the actions of its contractors. The occurrence of one or more of these risks could have a material adverse effect on its results of operations and financial position.

The Group manages risks associated with input costs through a centralised procurement function which analyses market trends, supply environment, and operational demand planning, to establish appropriate sourcing strategies for spend categories.

- *Exploration and development risk:* Although the Group's activities are primarily directed towards mining operations and the development of mineral deposits, its activities also include the exploration for mineral deposits and the possibility of third party arrangements including joint ventures, partnerships, toll treating arrangements or other third party contracts. An ability to sustain or increase the current level of production in the longer term is in part dependent on the success of the Group's exploration activities and development projects, and the expansion of existing mining operations.

  The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored subsequently have economic deposits of gold identified, and even fewer are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to establish rights to mine the ground, to receive all necessary operating permits, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs the Group plans will result in a profitable mining operation.

  Whether a mineral deposit will be commercially viable depends on a number of factors.

  The Group has a disciplined approach to allocating budget to exploration projects. The Group also has investment criteria to ensure that development projects are only approved if an adequate return on the investment is expected.

- *Ore Reserves and Mineral Resources:* The Group's estimates of Ore Reserves and Mineral Resources are based on different levels of geological confidence and different degrees of technical and economic evaluation, and no assurance can be given that anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realised or that Ore Reserves could be mined or processed profitably. The quality of any Ore Reserve or Mineral Resource estimate is a function of the quantity of available technical data and of the assumptions used in engineering and geological interpretation, and modifying factors affecting economic extraction. Such estimates are compiled by experienced and appropriately qualified geoscientists using mapping and sampling data obtained from bore holes and field observations, and subsequently reported by Competent Persons under the JORC Code.

  Fluctuation in gold prices, key input costs to production, as well as the results of additional drilling, and the evaluation of reconciled production and processing data subsequent to any estimate may require revision of such estimate.

  Actual mineralisation or ore bodies may be different from those predicted, and any material variation in the estimated Ore Reserves, including metallurgy, grade, dilution, ore loss, or stripping ratio at the Group's properties may affect the economic viability of its properties, and this may have a material adverse impact on the Group's results of operations, financial condition and prospects.

  There is also a risk that depletion of reserves will not be offset by discoveries or acquisitions or that divestitures of assets will lead to a lower reserve base. The reserve base of the Group may decline if reserves are mined without adequate replacement and the Group may not be able to sustain production beyond current mine lives, based on current production rates.

- *Political, social and security risks:* St Barbara has production and exploration operations in a developing country that is subject to political, economic and other risks and uncertainties. The formulation and implementation of government policies in this country may be unpredictable. Operating in developing countries also involves managing security risks associated with the areas where the Group has activities. The Group has established policies and procedures to assist in managing and monitoring government relations. The Group's operating procedures at its mine in Papua New Guinea includes detailed security plans.

- *Foreign exchange:* The Group has an Australian dollar presentation currency for reporting purposes. However, gold is sold throughout the world based principally on the U.S. dollar price, and most of the Group's revenues are realised in, or linked to, U.S. dollars. The Group is also exposed to U.S. dollars and Papua New Guinea Kina in respect of operations located in Papua New Guinea as certain of its operating costs are denominated in these currencies. There is a "natural" (but not perfect) hedge which matches to some degree U.S. denominated revenue and obligations related to U.S. dollar expenditure. The Group is therefore exposed to fluctuations in foreign currency exchange rates. The Group monitors foreign exchange exposure and risk on a monthly basis through the centralised treasury function and a Management Treasury Risk Committee.

- *Community relations*: A failure to adequately manage community and social expectations within the communities in which the Group operates may lead to local dissatisfaction which, in turn, could lead to interruptions to production and exploration operations. The Group has an established stakeholder engagement framework to guide the management of the Group's community relations efforts. At Simberi there is a dedicated community relations team to work closely with the local communities and government.
- *Insurance:* The Group maintains insurance to protect against certain risks. However, the Group's insurance will not cover all the potential risks associated with a mining company's operations. The Group may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as loss of title to mineral property, environmental pollution, or other hazards as a result of exploration and production is not generally available to the Group, or to other companies in the mining industry on acceptable terms. The Group might also become subject to liability for pollution or other hazards which may not be insured against, or which it may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Group to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.
- *Weather and climactic conditions:* The effects of changes in rainfall patterns, changing storm patterns and intensities have from time to time adversely impacted, and may in the future adversely impact, the cost, production levels and financial performance of the Group's operations. The Group's mining operations have been, and may in the future be, subject from time to time to severe storms and high rainfalls leading to flooding and associated damage, which has resulted, and may result in delays to, or loss of production at its mines (e.g. due to water ingress and flooding at the base of the mine). Seismic activity is of particular concern to mining operations. The Simberi mine in Papua New Guinea is in an area known to be seismically active and is subject to risks of earthquakes and the related risks of tidal surges and tsunamis.
- *Risk of impairment*: If the gold price suffers a significant decline, or the operations are not expected to meet future production levels, there may be the potential for future impairment write downs at any of the operations.

Risk management

The Group manages the risks listed above, and other day-to-day risks through an established enterprise wide risk management framework, which conforms to Australian and international standards and guidance. The Group's risk reporting and control mechanisms are designed to ensure strategic, safety, environment, operational, legal, financial, reputational and other risks are identified, assessed and appropriately managed.

The financial reporting and control mechanisms are reviewed during the year by management, the Audit and Risk Committee, the internal audit function and the external auditor.

Senior management and the Board regularly review the risk portfolio of the business and the effectiveness of the Group's management of those risks.

During July 2014, the Company announced that by operation of its internal reporting mechanisms, the provision of benefits to a foreign public official that may violate its Anti-Bribery and Anti-Corruption Policy or applicable laws in Australia or in foreign jurisdictions were identified. The amount of the benefits provided to the foreign public official was not material to the Company. The Company self-reported the matter to relevant authorities, including the Australian Federal Police, and the matter is being assessed and investigated. To date, there has been no action taken against the Company, consequently, the range of potential penalties, if any, cannot be reliable estimated. Should there be any prosecution, potential penalties if any are governed by laws in various jurisdictions including *Criminal Code 1995 (Cth)* in Australia and/or the UK *Bribery Act.*

Regulatory environment

Australia

The Group's Australian mining activities are in Western Australia and 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 Mining Rehabilitation Fund Act 2012 took effect from 1 July 2013. The Mining Rehabilitation Fund replaces unconditional environmental performance bonds for companies operating under the Mining Act 1978.

The Group is subject to significant environmental regulation, including, inter alia, the Western Australian Environmental Protection Act 1986, Contaminated Sites Act 2003, Wildlife Conservation Act 1950, Aboriginal Heritage Act 1972 and the Commonwealth Environmental Protection and Biodiversity Conservation Act 1999, as well as safety compliance in respect of its mining and exploration activities.

The Group is registered pursuant to the National Greenhouse and Energy Reporting Act 2007 under which it is required to report annually its energy consumption and greenhouse gas emissions. St Barbara also reports to Government pursuant to both the Energy Efficiency Opportunities Act 2006 and the National Environmental Protection (National Pollutant Inventory) Measure (subsidiary legislation to the National Environmental Protection Measures (Implementation) Act 1998). The Group has established data collection systems and processes to meet these reporting obligations. The Group's Australian operations are also required to comply with the Australian Federal Government's Clean Energy Act 2011, effective from 1 July 2012.

Papua New Guinea

The primary Papua New Guinea mining legislation is the Mining Act 1992, which governs the granting and cessation of mining rights. Under the Mining Act, all minerals existing on, in or below the surface of any land in Papua New Guinea, are the property of the State. The Mining Act establishes a regulatory regime for the exploration for, and development and production of, minerals and is administered by the Minerals Resources Authority. Environmental impact is governed by the Environment Act 2000, administered by the Department of Environment and Conservation. The PNG government has been reviewing the Mining Act since 2014. There is no public timeframe for completion of the review.

Information on Directors

Tim C Netscher
BSc (Eng) (Chemical), BCom, MBA, FIChE, CEng, MAICD

Independent Non-Executive Chairman
Appointed as a Director 17 February 2014
Appointed as Chairman 1 July 2015

Mr Netscher is an experienced international mining executive with extensive operational, project development, and transactional experience and expertise in senior executive management roles. Mr Netscher's experience covers a wide range of resources including nickel, coal, iron ore, uranium and gold and regions including Africa, Asia and Australia.

Other current listed company directorships:

- Gold Road Resources Limited
- Western Areas Limited

Former listed company directorships in last 3 years:

- Toro Energy Limited (resigned September 2016)
- Deep Yellow Limited (resigned December 2015)
- Gindalbie Metals Limited (resigned October 2014)
- Aquila Resources Limited (resigned July 2014)

Special responsibilities:

- Chair of the Health, Safety, Environment and Community Committee
- Member of the Audit and Risk Committee
- Member of the Remuneration Committee

Robert S (Bob) Vassie
B. Mineral Technology Hons (Mining), GAICD, MAUSIMM

Managing Director and Chief Executive Officer
Appointed as Managing Director and CEO 1 July 2014

Mr Vassie is a mining engineer with over 30 years' international mining industry experience and has 18 years' experience in a range of senior management roles with Rio Tinto. He has particular experience in operations management, resource development strategy, mine planning, feasibility studies, business improvement, corporate restructuring and strategic procurement.

Other current listed public company directorships:

- Tawana Resources NL (appointed 1 August 2017)

Former listed company directorships in last 3 years: Nil

Special responsibilities:

- Member of the Health, Safety, Environment and Community Committee

Kerry J Gleeson
LLB (Hons), FAICD

Independent Non-Executive Director
Appointed as a Director 18 May 2015

Ms Gleeson is an experienced corporate executive with over 20 years' boardroom and senior management experience across Australia, UK and the US, in a variety of industries including mining, agriculture, chemicals, logistics and manufacturing. A qualified lawyer in both UK and Australia, she has significant expertise in complex corporate finance and transactional matters, and in corporate governance in Australian and international businesses. She was a member of the Group Executive at Incitec Pivot Limited for 10 years until 2013, including as Company Secretary and General Counsel. Previously, she was a corporate finance and transactional partner in an English law firm, and practised as a senior lawyer at the Australian law firm, Ashurst.

Ms Gleeson is a Non-Executive Director of Trinity College, University of Melbourne.

Other current listed company directorships: Nil

Former listed company directorships in last 3 years:

- McAleese Limited (resigned September 2016)

Special responsibilities:

- Chair of Remuneration Committee
- Member of the Audit and Risk Committee
- Member of the Health, Safety, Environment and Community Committee

David E J Moroney
BCom, FCA, FCPA, GAICD

Independent Non-Executive Director
Appointed as a Director 16 March 2015

Mr Moroney is an experienced finance executive with more than 20 years' experience in senior corporate finance roles, including 15 years in the mining industry, and extensive international work experience with strong skills in finance, strategic planning, governance, risk management and leadership.

Mr Moroney is an independent non-executive director of non-ASX listed Geraldton Fishermen's Co-operative Ltd (the southern hemisphere's largest exporter of lobster) and chair of its Audit and Risk Management Committee and member of its Performance and Nomination Committee. Mr Moroney is also an independent non-executive director of WA Super, Western Australia's largest public offer superannuation fund (and Chair of the Risk Committee, and a member of the Compliance & Audit and Human Resources Committees). Mr Moroney is also an independent non-executive finance director of Hockey Australia Ltd, the peak national sporting body for hockey in Australia, and Chair of its Finance, Audit and Risk Management Committee.

Other current listed company directorships: Nil

Former listed company directorships in last 3 years: Nil

Special responsibilities:

- Chair of the Audit and Risk Committee
- Member of the Health, Safety, Environment and Community Committee
- Member of the Remuneration Committee

Qualifications and experience of the Company Secretary

Rowan Cole
B.Comm, CA, CIA, MBA, GAICD, Grad. Dip AGC, Dip Inv Rel
Company Secretary

Mr Cole joined St Barbara in 2010 as General Manager Corporate Services and was appointed as Deputy Company Secretary in 2012 and as Company Secretary in 2014.

He has over 30 years' experience across chartered accounting, retail banking, private and public companies. Mr Cole's experience includes external, internal and IT audit, risk management, customer service delivery, marketing, strategy formulation, execution and measurement, process and business improvement, financial and business reporting in senior roles including general manager, head of risk and compliance, chief audit executive and chief financial and risk officer.

Information on Executives

Robert S (Bob) Vassie
B. Mineral Technology Hons (Mining), GAICD, MAUSIM
Managing Director and Chief Executive Officer

Mr Vassie joined St Barbara as Managing Director and CEO in July 2014. Mr Vassie is a mining engineer with over 30 years' international mining industry experience and has 18 years' experience in a range of senior management roles with Rio Tinto. He has particular experience in operations management, resource development strategy, mine planning, feasibility studies, business improvement, corporate restructuring and strategic procurement.

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

Mr Campbell-Cowan is a Chartered Accountant with over 30 years' experience in senior management and finance positions across a number of different industries. He was appointed to the position of Chief Financial Officer in September 2006 and is responsible for the Group's Finance function, covering financial reporting and accounting, treasury, taxation, internal audit, capital management, procurement and information technology. Mr Campbell-Cowan also has executive responsibility for business development. Prior to joining the Group, he was Director of Corporate Accounting at Telstra and has held senior leadership roles with WMC, Newcrest Mining and ANZ.

Meetings of Directors

The number of meetings of Directors (including meetings of Committees of Directors), and the numbers of meetings attended by each of the Directors of the Company during the financial year was:

	Board Meetings				Board Committees					
	Scheduled		Supplementary		Audit & Risk		Remuneration		Health, Safety, Environment & Community	
	A	H	A	H	A	H	A	H	A	H
K Gleeson	9	9	5	5	5	5	5	5	5	5
D Moroney	8	9	5	5	5	5	5	5	5	5
T Netscher	9	9	5	5	5	5	5	5	5	5
R Vassie	9	9	5	5	5	5	5	5	5	5

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

Directors' interests

The relevant interest of each Director in the shares and rights over such instruments issued by the companies within the Group and other related bodies corporate as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, as the date of this report is as follows:

	Ordinary shares	Rights over ordinary shares
K Gleeson	8,333	-
D Moroney	100,000	-
T Netscher	22,000	-
R Vassie	1,769,053	4,062,500 (1) 1,301,382 (2)

(1) These rights were determined by the Board on 23 August 2017 to have vested as at 30 June 2017 and are pending issue as shares as at the date of this report.
(2) The vesting of these rights is subject to future performance conditions as described in the Remuneration Report.

No Directors have an interest in options over shares issued by companies within the Group.

Remuneration Report (Audited)

Contents

1. Introduction and Key Management Personnel

This Remuneration Report describes the remuneration strategy and practices that applied for the 2017 financial year. The report provides details of remuneration paid for the 2017 financial year to Non-Executive Directors and the Executives named in this report with the authority and responsibility for planning, directing and controlling the activities of the Group, collectively referred to as Key Management Personnel (KMP).

Key Management Personnel during 2017

Non-Executive Directors	
Tim Netscher	Independent Non-Executive Chairman
Kerry Gleeson	Independent Non-Executive Director
David Moroney	Independent Non-Executive Director
Executives	
Robert (Bob) Vassie	Managing Director & Chief Executive Officer
Garth Campbell-Cowan	Chief Financial Officer

2. 2017 Remuneration Summary

The Group's record operational and financial performance for the 2017 financial year is reflected in the STI[1] outcomes awarded to Executives.

The Group's outstanding transformation over the last three years is clearly demonstrated by a corresponding total shareholder return of 2,308%, which is many-times the return of its comparator companies and the ASX Gold Index for the same period. During this time, the Group's market capitalisation increased from $56 million to $1.4 billion, and the closing share price increased from $0.115 at 30 June 2014 to $2.91 at 30 June 2017.

The Board considers that the Executive remuneration structure in place during this period has been appropriate and aligned with increasing shareholder wealth, and that Executives have justifiably earned the at-risk incentives awarded this year.

2.1 Key remuneration outcomes for the 2017 financial year (details in Section 7)

STI[1] Outcomes	The average STI outcome for Executives was 90% of the maximum potential STI based on an assessment of Group and individual measures. This reflects the Group's record safety, operating and financial performance during 2017.
LTI[2] Outcomes	100% of the 3 year LTI performance rights assessed at 30 June 2017 vested. This is consistent with the operational and strategic turnaround during the corresponding 3 year period which resulted in total shareholder returns of 2,308%, well above the return of any of its comparator companies and the ASX Gold Index for the same period.
Executive Remuneration	Executive fixed remuneration increased by an average of 1% from 2016 to 2017.
NED Remuneration	Overall NED fees increased by 1% from 2016 to 2017.

2.2 Changes in the Executive remuneration framework during the 2017 financial year (details in Section 5)

STI Composition	The proportion of at-risk remuneration for Level 5 (CFO) was increased at target level from 40% in 2016 to 45% in 2017.

2.3 Changes to Executive remuneration for the 2018 financial year (details in Section 5)

STI Composition	The mix of Group and Individual STI targets is proposed to change weighting from 70% Group targets and 30% Individual targets in 2017, to 80% Group targets and 20% Individual targets in 2018.
Executive fixed remuneration	Following a review of relevant market remuneration data, the Board has approved increases in Executive fixed remuneration of between 2.5% and 10% for the 2018 financial year.

2.4 Changes to Non-Executive Director Remuneration for the 2018 financial year (details in Section 8)

Non-Executive Directors fees	Following a review of comparable resource industry remuneration levels for Non-Executive Directors, the Board resolved to increase Non-Executive Directors fees by an average 10% for 2018.

The Board actively monitors market practices and recommendations from industry participants on remuneration structure and disclosure, and may amend the remuneration framework accordingly at any time. The Board needs to ensure that the

1 Short term incentive
2 Long term incentive

remuneration framework attracts, retains and encourages high performance by its key employees, whilst remaining aligned with shareholder experience.

3. *Executive Remuneration Strategy*

The Group's Executive remuneration strategy is designed to attract, reward and retain high calibre, high performing, and team orientated individuals capable of delivering the Group strategy. The remuneration strategy and related employment policies and practices are aligned with the Group strategy.

The objectives of the remuneration strategy for the 2017 financial year were to ensure that:

- total remuneration for Executives and each level of the workforce was market competitive;
- key employees were retained;
- total remuneration for Executives and managers comprised an appropriate proportion of fixed remuneration and performance-linked at-risk remuneration;
- performance-linked at-risk remuneration encouraged and rewarded high performance aligned with value creation for shareholders, through an appropriate mix of short and long term incentives;
- the integrity of the remuneration review processes delivered fair and equitable outcomes.

The Group's remuneration strategy and practices are influenced by the Australian gold mining industry and the peer companies with which it competes for talent.

The gold price is the primary determinant of the share price of gold companies, including St Barbara. The gold price is volatile, as illustrated by the chart below. The ASX all ordinaries gold index (ASX:XGD) was 4.5 times more volatile (measured by standard deviation) than the ASX 200 (ASX:XJO) over the previous 5 years.

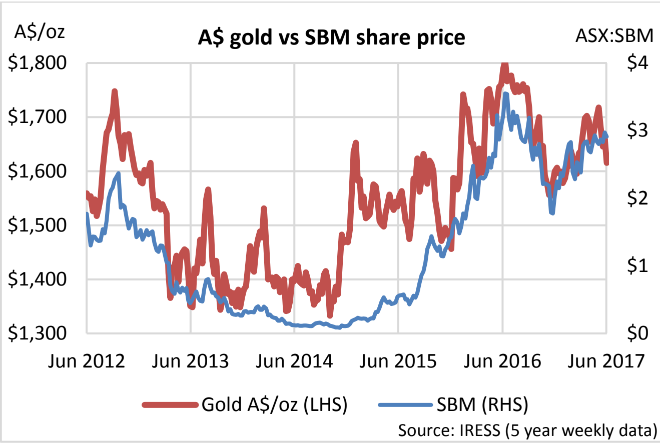
The nature of the industry and the share price volatility has resulted in certain key features of the Group's performance-linked at-risk remuneration, in the form of the annual short term incentive (**STI**) and the long term incentive (**LTI**) which measures performance over three financial years.

Executive remuneration outcomes are aligned with shareholder experience, as the STI and LTI link personal remuneration outcomes with the achievement of targets which drive Group performance and shareholder return. The mix of fixed and at-risk remuneration varies according to the role of each Executive, with the highest level of at-risk remuneration applied to those roles that have the greatest potential to influence and deliver Group outcomes and drive shareholder return.

The criteria used to assess the STI include production, costs and safety - key elements that are within management's control and underpin the overall financial result of the Group. The Board is aware of a trend in some larger ASX companies to partially defer payment of STI to subsequent years as share rights, notionally to more closely align the STI with a company's share price performance. The Board has determined no deferral of STI is appropriate as deferral of STI is extremely rare amongst the resources companies with which St Barbara competes for talent, and is considered to be a disincentive to current and prospective employees. In addition, the corresponding LTI is closely aligned with the Company's share price performance, and also provides a significant retention incentive.

The LTI aligns Executive remuneration with shareholder experience. The vesting conditions for the LTI comprise two measures, relative total shareholder return (RTSR), and return on capital employed (ROCE) in excess of the weighted average cost of capital. The LTI allows retesting at the Board's discretion which is consistent with the volatile character of the gold industry, that tends to be cyclical and the result at the end of a three year vesting period may be adversely impacted by a short-term downturn in the price of gold or in the gold industry. Rights would only vest under retesting if there is a positive total shareholder return and the performance conditions are met over the extended term.

RTSR was first adopted as an LTI measure at the 2010 Annual General Meeting, with ROCE first adopted at the 2012 Annual General Meeting. These two metrics were selected, and have been retained, as the most appropriate measures to reflect management's influence on shareholder wealth. RTSR eliminates the impact of fluctuations in gold price to illustrate how effective management have been in creating value from the Group's gold assets compared against industry peers. ROCE measures the efficiency with which management uses capital in seeking to increase shareholder value. The LTI performance measures are reviewed annually for their continued relevance and consistency against peer company LTI metrics.



The remuneration strategy and structure are directly linked to the development of strategies and budgets in the Group's annual planning cycle shown in the timetable below.

Annual Planning Timetable

Month	Strategy & Reporting	Remuneration
October	Annual strategy update	
January		Review STI & LTI design framework
February	Half Year Financial Report	
April to June	Budget setting framework	Set remuneration review framework
July		Measure STI outcomes and determine award
August	Annual Financial Report	Measure LTI outcomes (in conjunction with audited financial report) and action any vested entitlements Set STI targets for following financial year
October	Annual Report	
November	Annual General Meeting	Shareholder approval of LTI to be issued to MD & CEO

4. Remuneration Governance

Remuneration strategy and policies are approved by the Board. They are aligned with, and underpin, the Group strategy. On behalf of the Board, the Remuneration Committee oversees and reviews the effectiveness of the remuneration strategy, policies and practices to ensure that the interests of the Group, shareholders and employees are taken into account. The charter for the Remuneration Committee is approved by the Board and is available on the Group's website at www.stbarbara.com.au.

The Remuneration Committee is responsible for making recommendations to the Board on all aspects of remuneration arrangements for Key Management Personnel.

In addition, the Remuneration Committee oversees and reviews proposed levels of annual remuneration for the Group as a whole as well as other key employee related policies for the Group. It also receives reports on organisation capability and effectiveness, skills, training and development and succession planning for key roles.

The members of the Remuneration Committee are all independent, Non-Executive Directors and as at the date of this report comprised:

K Gleeson	Non-Executive Director Chair of the Committee since 1 July 2015 Member of the Committee since 18 May 2015
D Moroney	Non-Executive Director Member of the Committee since 16 March 2015
T Netscher	Non-Executive Chairman Member of the Committee since 23 February 2015

In forming remuneration recommendations, each year the Remuneration Committee obtains and considers industry specific independent data and professional advice as appropriate. All reports and professional advice relating to the Managing Director and CEO's remuneration are commissioned and received directly by the Remuneration Committee. The Remuneration Committee reviews all other contracts with remuneration consultants and directly receives the reports of those consultants. Information was received directly by the Committee from Godfrey Remuneration Group during the financial year regarding aspects of remuneration design and equity plans. The information provided by Godfrey Remuneration Group did not include a remuneration recommendation as defined in the *Corporations Act 2001 (Cth)*.

The Remuneration Committee has delegated authority to the Managing Director and CEO for approving remuneration recommendations for employees other than Key Management Personnel, within the parameters of approved Group wide remuneration levels and structures.

5. Remuneration Structure

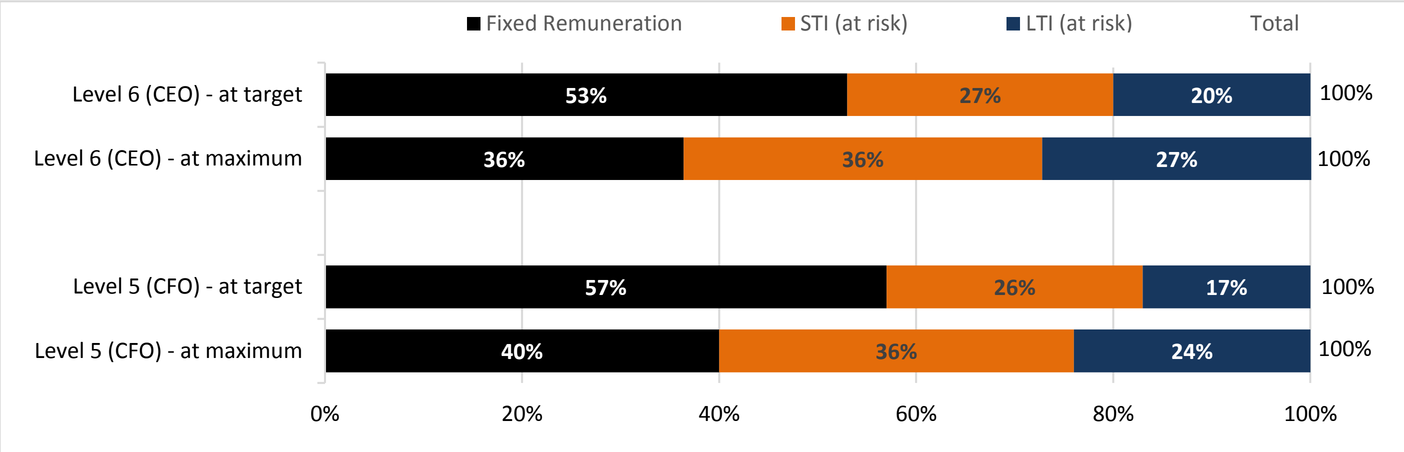
Executive remuneration comprises:

- Fixed remuneration
- A performance-linked at-risk short term incentive (STI)
- A performance linked at-risk long-term incentive (LTI).

Each of these components is considered in more detail below.

Composition of Executive Remuneration

The mix of fixed and at risk remuneration for Executives for 2017 is as follows:



Figures are rounded to nearest whole percent and may not add.

(1) **STI** as a % of Fixed Remuneration at 'target' is: Level 6 (CEO) 50%, Level 5 (CFO) 45%. STI at 'maximum' = 2 x 'target'. The proportion of at-risk remuneration for Level 5 (CFO) was increased at target level from 40% in 2016 to 45% in 2017.

'Target' is the mid-point (50%) of the 'maximum' (100%) STI available for the rated performance of each individual. Less than target performance will result in less than the target allocation, potentially down to zero, and significant outperformance can lead to achieving 'maximum' (100%) of the STI.

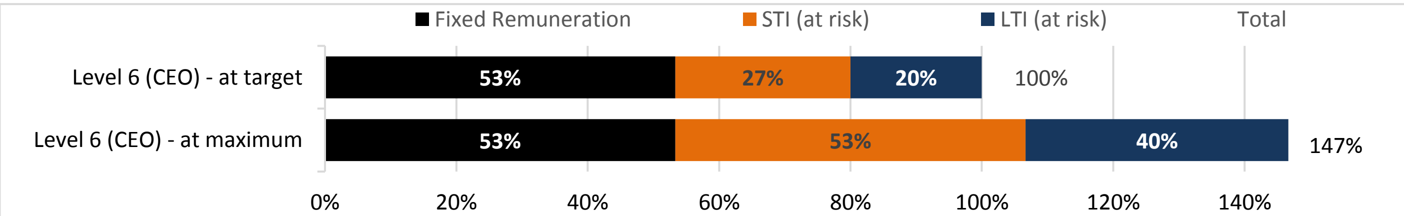
See **Section 7.4** for STI earned in 2017.

(2) **LTI** as a % of Fixed Remuneration at 'target' is: Level 6 (CEO) 37.5%, Level 5 (CFO) 30%. LTI at 'maximum' = 2 x 'target'.

'Target' is the mid-point (50%) of the maximum (100%) LTI available. The LTI allocation is fixed at grant, but the proportion of the grant that ultimately vests, if any, is subject to performance measurement under the relevant LTI plan.

See **Section 7.5** for LTI vested during 2017.

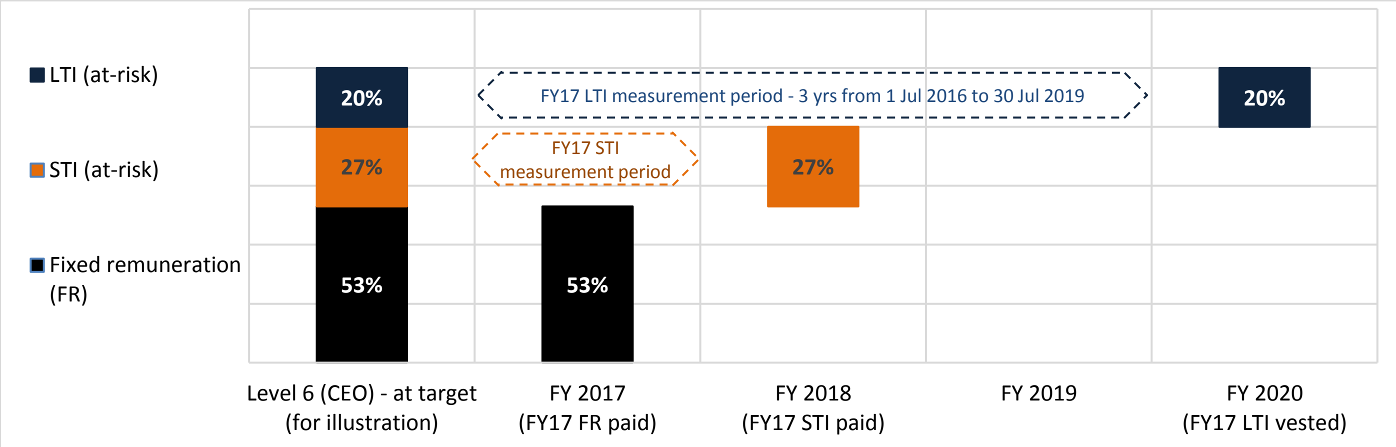
The relationship between 'target' and 'maximum' remuneration of the CEO for 2017 is as follows:



Figures are rounded to nearest whole percent and may not add.

Payment profile of Executive Remuneration

The timing of payments of Executive remuneration for 2017 is as follows (illustrated using Level 6 (CEO) at target):



Fixed remuneration for 2017 was paid during 2017.

STI performance is assessed as part of this report after the end of the 2017 financial year and is paid in the 2018 financial year.

LTI performance is assessed after the end of the 3 year performance period (1 July 2016 to 30 June 2019) and, if determined to have vested, the corresponding performance rights vest in 2020.

5.1 Fixed Remuneration = Base salary + superannuation + benefits

Fixed remuneration is paid in cash, superannuation and benefits during the financial year.

The base salary for each Executive is influenced by the nature and responsibilities of the role, the knowledge, skills and experience required for the position, and the Group's need to compete in the market place to attract and retain the right person for the role.

Each Executive undergoes an annual performance appraisal as part of the Group's work performance system, in which individual and Group performance is assessed in detail against their respective pre-determined measures. The performance appraisal for the Chief Financial Officer is assessed by the Managing Director and CEO and reported to the Remuneration Committee and subsequently to the Board for review, including recommended remuneration outcomes that flow from that appraisal. The performance appraisal for the Managing Director and CEO is undertaken by the Chairman, reported to the Remuneration Committee and subsequently to the Board, for review.

Benefits vary between Executives and include car parking, certain professional memberships and living away from home and travel expenses, plus any associated fringe benefits tax.

In considering remuneration for Executives for the 2017 financial year, the Remuneration Committee considered reports from Aon Hewitt, as well as industry trend data and other relevant remuneration information.

5.2 Performance Linked Remuneration – STI

The STI is linked to specific personal and corporate objectives over the financial year. Performance of the STI objectives is assessed subsequent to the end of the financial year, with the amount determined to be achieved paid in cash or shares.

The Remuneration Committee is responsible for recommending to the Board Executive STIs and then later assessing the extent to which the Group STI measures and the individual KPIs of the Executives have been achieved, and the amount to be paid to each Executive. To assist in making this assessment, the Committee receives detailed reports and presentations on the performance of the business from the Managing Director & CEO. The Board retains overall discretion on whether a STI should be paid in any given year.

As noted earlier in this report, deferral of STI is extremely rare amongst the resources companies with which the Group competes for talent, and is considered to be a disincentive to current and prospective employees. The current weighting between STI and LTI is considered to provide appropriate alignment with long term share price performance and retention of Executives.

The STI is an annual "at risk" component of remuneration for Executives. It is payable based on performance against key performance indicators (**KPI**) set at the beginning of the financial year.

For each KPI there are defined "threshold", "target" and "stretch" measures which are capable of objective assessment:

Threshold performance	represents the minimum level of acceptable performance acknowledging extrinsic risks assumed in achievement of the full year budget (where the budget is normally more demanding year on year) for quantifiable measures which are within the control of STI participants such as safety, production and all-in sustaining cost (as proxies for profitability and cash generation), as well as the achievement of near term goals linked to the annual strategy.
Target performance	represents challenging but achievable levels of performance beyond achievement of budget measures.
Stretch (or maximum) performance	requires significant performance above and beyond normal expectations and if achieved is anticipated to result in a substantial improvement in key strategic outcomes, operational or financial results, and/or the business performance of the Group.

STIs are structured to remunerate Executives for achieving annual Group targets as well as their own individual performance targets designed to favourably impact the business. The proportion of the STI earned is calculated by adding the average result of the Group targets with the average result of an individual's performance targets, where target performance equals one. For the FY17 STI, the results are weighted to 70% Group targets and 30% individual targets. Group and individual targets are established by reference to the Group Strategy. The net amount of any STI after allowing for applicable taxation, is payable in cash.

The calculation of STI earned can be summarised as follows:

STI earned = STI value at risk x [(70% x average result of Group STI targets) plus (30% x average result of Individual STI targets)], where target performance = 1.

Details of the 2017 financial year STI are set out in **Section 7.4** of this report.

5.3 Performance Linked Remuneration – LTI

LTIs are structured to remunerate Executives for the long term performance of the Group relative to its peers. The LTIs involve the granting of rights which only vest upon achievement of performance measures over a three year period. Performance rights on issue carry no dividend or voting rights. On vesting each performance right is convertible into one ordinary share.

As noted earlier, the gold industry is much more volatile than the economy in general. The gold industry tends to be cyclical and the result at the end of a three year vesting period may be adversely impacted by a short-term downturn in the price of gold or in the gold industry. Unlike other industries where matching revenues and expenses may have long lead times, in the gold industry gold produced is sold at arm's length at the market price (unless it is sold into a hedge) within a matter of days from production, with corresponding revenue and expenses recorded. The primary LTI performance measure of relative total shareholder return means that LTI awards will not increase merely due to an increase in gold price, but only on better than average industry performance.

These characteristics of the gold industry, and comparison with long term incentive structures of other resource companies with which the Group competes for talent, have led to certain characteristics of the current LTI plan, including retesting. The Board introduced 'retesting' to performance rights issued from September 2015. Should no rights from a tranche vest at the conclusion of a measurement period, at its discretion, the Board may choose to retest the relevant performance rights for the same performance conditions (e.g. above 50^{th} percentile Relative Total Shareholder Return) one year after the original vesting period (and potentially again one year later). Performance rights would only vest, with Board discretion, if there was positive total shareholder return, and minimum threshold performance achieved for Relative Total Shareholder Return and Return on Capital Employed for the extended vesting period (of four or five years), which should only correspond with a positive shareholder experience.

Vesting conditions of each tranche of performance rights issued are approved by the Board and set out in the relevant Notice of Annual General Meeting. Details of the LTI relevant to the 2017 financial year are set out in **Section 7.5** of this report.

5.4 Summaries of service agreements for Executives

Remuneration and other terms of employment for the Managing Director and CEO and the Chief Financial Officer are formalised in service agreements. These agreements provide, where applicable, for the provision of performance related cash payments, other benefits including allowances, and participation in the St Barbara Limited Performance Rights Plan.

All service agreements with Executives comply with the provisions of Part 2 D.2, Division 2 of the Corporations Act.

These service agreements may be terminated early by either party giving the required notice and subject to termination payments detailed in the agreement. Other major provisions of the agreements relating to remuneration are set out below.

R S Vassie – Managing Director and CEO

- Term of agreement – permanent employee, commenced 1 July 2014.
- Other than for serious misconduct or serious breach of duty, the Company or Mr Vassie may terminate employment at any time with 6 months' notice.

G Campbell-Cowan – Chief Financial Officer

- Term of agreement – permanent employee, commenced 1 September 2006.
- Other than for gross misconduct or for poor performance as judged by the Company in its absolute discretion, the Company may terminate the employment at any time with payment of a termination benefit equal to 8 months' notice. Mr Campbell-Cowan may terminate employment at any time with 6 weeks' notice.

5.5 Future Developments in Remuneration

The Group continuously monitors its remuneration structure, practices and disclosure in light of market developments to ensure that collectively they continue to:

- attract, reward and retain high performing, team oriented individuals capable of delivering the Group strategy;
- encourage and reward individual and team performance aligned with value creation for shareholders;
- appropriately inform shareholders of what remuneration is paid and why.

Almost exclusively, the Group competes with Australian gold industry peer companies to attract and retain the individuals necessary to maintain its success. This drives the need to closely monitor and respond to the remuneration practices of its peers, and offer a competitive and comparable remuneration packages. This means the Group's remuneration practices are consistent with the Australian gold mining industry and the peer companies with which it competes for talent, rather than practices that may be used by broader industrial companies.

There are no planned changes to the remuneration structure for Executives at the time of this report, other than for the mix of Group and Individual STI targets, which is proposed to change the weighting from 70% Group targets and 30% Individual targets in 2017, to 80% Group targets and 20% Individual targets in 2018.

Following a review of various resource industry market remuneration data from a number of sources, for the 2018 financial year the Board has approved a 10% increase in total fixed remuneration for the MD & CEO and a 2.5% increase for the CFO.

The Board identified that the CEO's fixed remuneration was not commensurate with the market. The Board noted that the market capitalisation of the Group had increased over 20 times (and the Group had re-joined the ASX 300 and ASX 200) in the three years since the CEO was appointed on 1 July 2014.

The FY18 total fixed remuneration of both Executives is between P50 and P75 of the benchmark data, which is consistent with the Company's remuneration strategy.

6. Relationship between Group Performance and Remuneration - past five years

The Board has regard to the overall performance of the Group over a number of years in assessing and ensuring proper alignment of the performance linked "at risk" remuneration framework to deliver fair and proper outcomes consistent with the Group's performance.

Full details of the Group's operational and financial performance are set out in the Directors' Report immediately preceding the Remuneration Report, and in the Financial Report, immediately following the Remuneration Report. For convenience, a summary of key operating and financial measures is reproduced in the Remuneration Report.

In assessing the Group's performance and shareholder return, consideration is given to the following measures in respect of the current financial year and the previous four financial years.

Earnings	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**
Sales revenue	568,443	533,828	552,581	610,115	641,702
EBITDA[(1)]	(150,628)	(331,634)	167,557	298,106	293,302
Statutory net profit/(loss) after tax	(191,854)	(500,831)	39,682	169,388	157,572
Underlying net profit/(loss) after tax[(1)]	29,285	(33,526)	41,964	127,357	160,366

(1) Non-IFRS financial measures, refer to page 3.

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

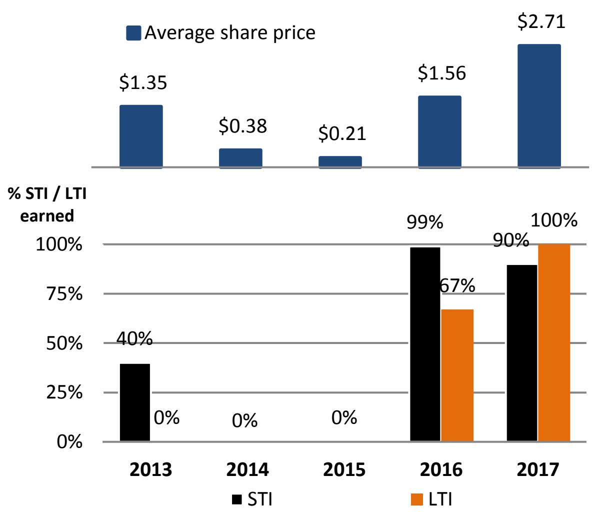
Share price history	**2013**	**2014**	**2015**	**2016**	**2017**
Period end share price ($ per share)	0.45	0.115	0.57	2.95	2.91
Average share price for the year ($ per share)	1.35	0.38	0.21	1.56	2.71

During the 2017 financial year, the Group's daily closing share price ranged between $1.77 to $3.69 per share (2016: $0.395 to $3.30 per share).

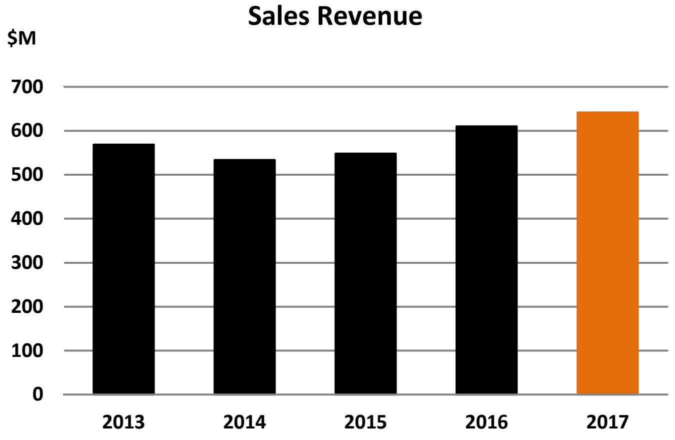
The table below provides the percentage of performance linked remuneration awarded to Executives in the current financial year and the previous four financial years.

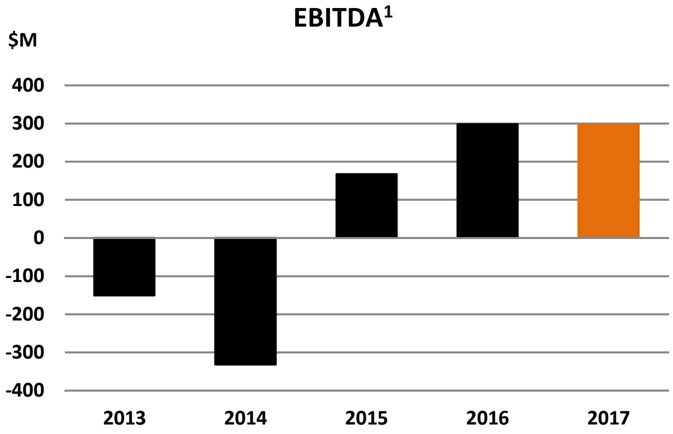
Performance Linked Remuneration	**2013**	**2014**	**2015**	**2016**	**2017**
% of maximum potential STI earned	40%	0%	66%	99%	90%
% of maximum potential LTI earned	0%	0%	0%	67%	100%

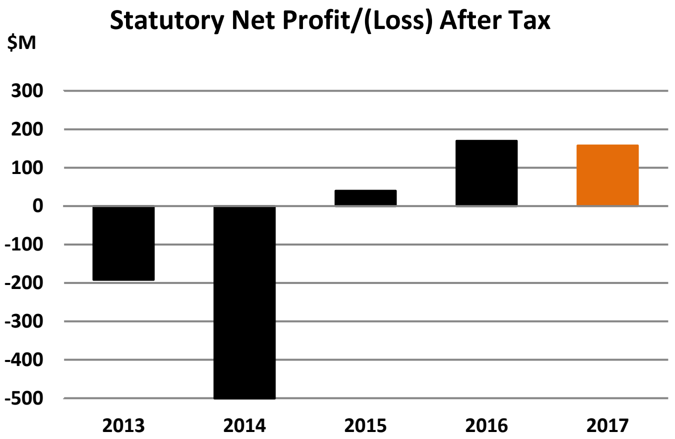
Executive Performance Linked Remuneration Five Year History

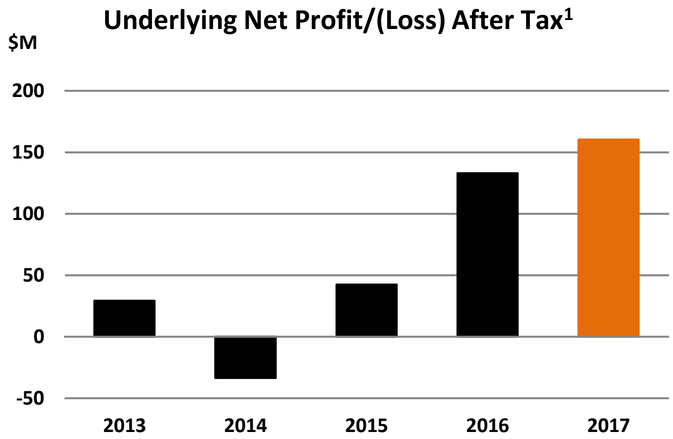


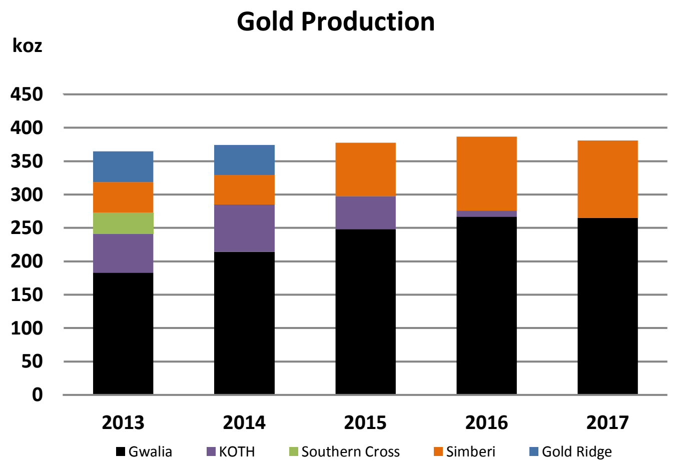
5 Year Group Performance

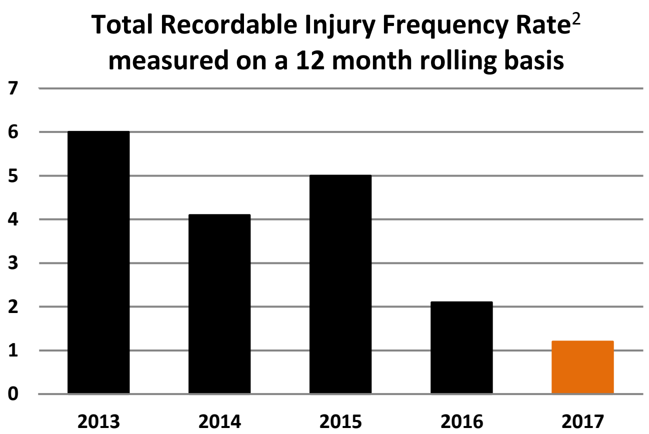












1. Underlying net profit after tax is statutory net profit after tax excluding significant items. EBITDA is earnings before interest revenue, finance costs, depreciation and amortisation and income tax expense, and includes revenues and expenses associated with discontinued operations. These are non-IFRS financial measures which have not been subject to review or audit by the Group's external auditors. These measures are presented to enable understanding of the underlying performance of the Group.
2. Total recordable injury frequency rate for each million hours worked on a 12 month rolling basis.

7. Remuneration Disclosure and Executive Remuneration Outcomes

7.1 STI

The STI was assessed for the financial year ended 30 June 2017.

Highlights of the Group's achievements in 2017 include:

Records	• Record safety performance of 1.2 TRIFR[1], well below the comparable industry rate of 2.5[2] • Record annual production from continuing operations of 381,101 oz (2016: 377,452 oz) • Record annual production from the Simberi mine of 116,044 oz (2016: 110,286 oz) • Record low AISC[3] of A$907 per ounce (2016: A$933 per ounce)[4]
Safety and People	In addition to record safety performance noted above: • WGEA Employer of Choice for Gender Equality for the 3rd year running • Winner of the Company Diversity Program in the Victorian Women in Resources Awards • Winners CME WA Underground Mine Emergency Response Team Competition • Winner of Digger of the year award • Leonora Operations employee turnover of 5.5% (compared to Western Australian average of 15.3%[5])
Operations	Outperformed original (and subsequently amended) FY17 market guidance for all published metrics: • Production achieved 381 koz, initial guidance 340-370 koz • All-In Sustaining Cost achieved A$907/oz, initial guidance A$985/oz –A$1,075/oz • Capital expenditure achieved A$43 million, initial guidance A$45-53 million (sustaining and growth capex)
Financial	• Increase underlying net profit after tax and cash flow from operations • Early repayment of the remaining A$225 million of US s144A Senior Secured Notes simultaneously with cash at bank increased to $161 million (2016: $137 million) • $0.06 per share fully franked divided in respect of full financial year announced (first dividend since 1995)
Strategy	• $100 million Gwalia Expansion Project approved in March 2017. The project consists of two main components, a ventilation upgrade and paste aggregate fill and will take two and a half to three years to complete. This project extends mining at Gwalia to at least 2,000 mbs in FY 2024 • Simberi strategic review concluded, production and cash flow increased year on year, together with an option and farm-in agreement established with Newcrest Mining Limited [6] for copper-gold porphyry exploration • Strategic investments in highly prospective explorers Catalyst Metals Ltd (ASX:CYL) and Peel Mining Ltd (ASX:PEX)
Ore Reserves and Mineral Resources	• 599 koz of contained gold added to Ore Reserves at Gwalia[7] • 1,467 koz of contained gold added to Mineral Resources at Gwalia[6]

The two Executives were awarded an average 90% of available STIs in 2017, as a result of the Group's operational and financial performance, and an assessment against their respective Group and individual STI objectives. Refer to **Section 7.4** of this report for details.

7.2 LTI

The three year performance period for the FY15 Performance Rights ended on 30 June 2017.

The last three years have been transformational period for the Group, with outstanding performance in share price growth, return on capital employed and total shareholder returns of 2,308%. Market capitalisation increased from $56 million to $1.4 billion over the three year period and the closing share price increased from $0.115 at 30 June 2014 to $2.91 at 30 June 2017.

Consistent with the outstanding performance of the Group over the last three years, and an assessment against the performance measures, 100% of the rights held by Executives under the FY15 LTI that matured on 30 June 2017 were assessed to have vested. Refer to **Section 7.5** of this report for details.

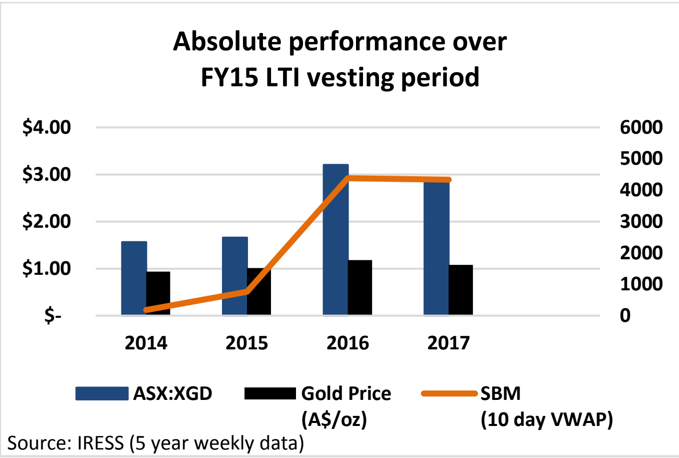
1 Total Recordable Injury Frequency Rate calculated on a rolling 12 month average
2 Gold mining industry TRIFR data per the Department of Mines and Petroleum report titled 'Safety Performance in the Western Australian Mineral Industry' for 2014-2015 FY, available at: www.dmp.wa.gov.au/Documents/Safety/MSH_Stats_Posters_SafetyPerfWA_1415.pdf
3 All-In Sustaining Cost is a Non-IFRS financial measure, refer to page 3
4 AISC for continuing operations
5 Mackie Resources Industry Turnover Analysis www.mesolutions.com.au
6 Option and Farm-in Agreement between the St Barbara group (through its wholly owned PNG subsidiary Nord Australex Nominees (PNG) Ltd) and Newcrest PNG Exploration Limited (a wholly owned subsidiary of Newcrest Mining Limited).
7 Refer Ore Reserves and Mineral Resources Statements as at 30 June 2017 released 23 August 2017

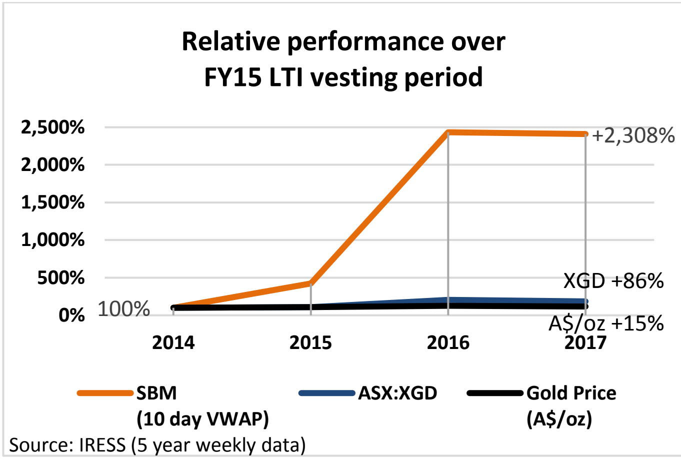
Selected highlights of the Group's performance during the 3 year performance period from 1 July 2014 to 30 June 2017 are set out below:

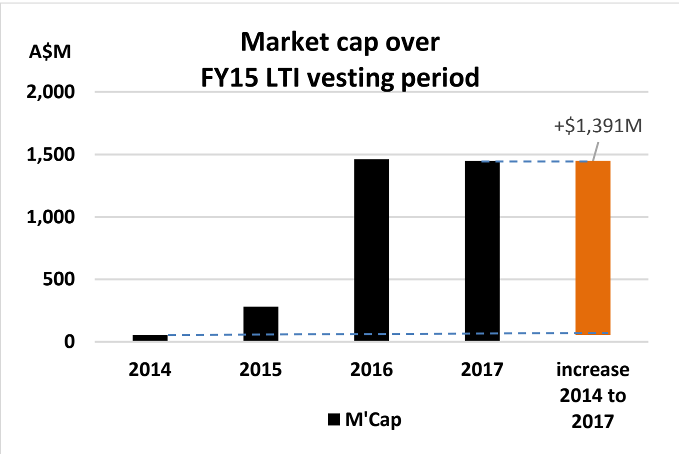
		30 June 2014[1]	30 June 2017	Change	Change (%)
Share price (10 day VWAP)	$	$0.12	$2.89	+$2.77	+2,308% increase
Net profit/(loss) after tax (underlying)	$M	$(34)M	$160M	+$194M	turnaround
Debt	$M	$374M	-	-$374M	100% reduction
Dividend for financial year	cents	Nil	$0.06[2]	+$0.06	new
Safety	TRIFR[1]	4.1	1.2	-2.9	71% improvement

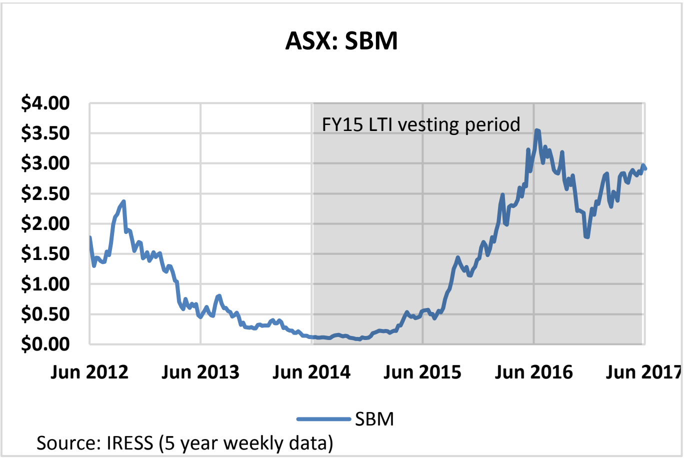
Additional highlights of the Group's achievements during the three year FY15 Performance Rights vesting period include:

- Year on year record safety performance
- Sustained increased production from the Gwalia mine
- Year on year record production from the Simberi mine
- Gwalia extension project approved, extends life of mine to 2024
- Deep drilling intersected the Gwalia mine sequence at 2200 metres below surface
- Simberi strategic review concluded, option and farm-in agreement established with Newcrest
- Increase in mineral resources at Gwalia by 2,405,000 ounces before depletion, and increase in ore reserves at Gwalia by 1,089,000 before depletion.
- Early repayment of A$374 million debt
- Divestment of the closed King of the Hills mine in Western Australia
- Divestment of the suspended Gold Ridge Project in the Solomon Islands









1 30 June 2014 figures used to illustrate 'starting' balances for the 3 year LTI performance period from 1 July 2014 to 30 June 2017 (e.g. from the corresponding Notice of 2014 Annual General Meeting, total shareholder return for the period is calculated from 'the 10 day VWAP calculation up to, and including, the last business day of the financial period immediately preceding the period that the performance rights relate to'.

2 Dividend announced 7 August 2017 in respect of the full 2017 financial year.

7.3 Remuneration Disclosure

Details of the remuneration of Key Management Personnel of the Group during the year ended 30 June 2017 are set out in the following tables:

2017	Short-term benefits			Post-employment benefits	Long-term benefits				
Name	Cash salary & fees $	STI payment $	Non-monetary benefits[3] $	Super-annuation $	Leave[1] $	Share-based payments[2] $	Termination payments $	Total $	Proportion of total performance related[4]
Non-Executive Directors									
T C Netscher (Chairman)	208,384	-	-	19,616	-	-	-	228,000	n/a
K J Gleeson	116,895	-	-	11,105	-	-	-	128,000	n/a
D E J Moroney	116,895	-	-	11,105	-	-	-	128,000	n/a
Total Non-Executive Directors	**442,174**	**-**	**-**	**41,826**	**-**	**-**	**-**	**484,000**	n/a
Executive Director									
R S Vassie	746,234	689,265	56,548	19,616	68,083	495,822	-	2,075,568	57%
Executives									
G Campbell-Cowan	478,694	399,146	6,303	19,616	41,571	285,183	-	1,230,513	56%
Total Executives	**1,224,928**	**1,088,411**	**62,851**	**39,232**	**109,654**	**781,005**	**-**	**3,306,081**	57%

(1) Leave includes long service leave and annual leave entitlements.
(2) The value of performance rights disclosed as remuneration is the portion of the fair value of the performance rights recognised in the reporting period in accordance with the Corporations Act 2001 and relevant Australian Accounting Standards. This value may not always reflect what an executive has received in the reporting period.
(3) Non-monetary benefits for Executives comprise car parking, professional memberships and, for Mr Vassie, living away from home travel expenses including associated fringe benefits tax.
(4) Calculated as 'STI payment' plus 'Share-based payments' divided by 'Total' remuneration.

2016	Short-term benefits			Post-employment benefits	Long-term benefits				
Name	Cash salary & fees $	STI payment $	Non-monetary benefits[3] $	Super-annuation $	Leave[1] $	Share-based payments[2] $	Termination payments $	Total $	Proportion of total performance related[4]
Non-Executive Directors									
T C Netscher (Chairman)	204,392	-	-	19,308	-	-	-	223,700	n/a
K J Gleeson	110,548	-	-	10,502	-	-	-	121,050	n/a
D E J Moroney	110,548	-	-	10,502	-	-	-	121,050	n/a
Total Non-Executive Directors	**425,488**	**-**	**-**	**40,312**	**-**	**-**	**-**	**465,800**	n/a
Executive Director									
R S Vassie	731,217	750,525	54,771	19,308	63,298	294,240	-	1,913,359	55%
Executives									
G Campbell-Cowan	478,687	382,772	6,288	19,308	39,713	217,648	-	1,144,416	52%
Total Executives	**1,209,904**	**1,133,297**	**61,059**	**38,616**	**103,011**	**511,888**	**-**	**3,057,775**	54%

(1) The amount represents long service leave and annual leave entitlements.
(2) The value of performance rights disclosed as remuneration is the portion of the fair value of the performance rights recognised in the reporting period in accordance with the Corporations Act 2001 and relevant Australian Accounting Standards. This value may not always reflect what an executive has received in the reporting period.
(3) Non-monetary benefits for Executives comprise car parking, professional memberships and, for Mr Vassie, living away from home travel expenses. Including associated fringe benefits tax.
(4) Calculated as 'STI payment' plus 'Share-based payments' divided by 'Total' remuneration.

7.4 Performance Linked Remuneration - STI

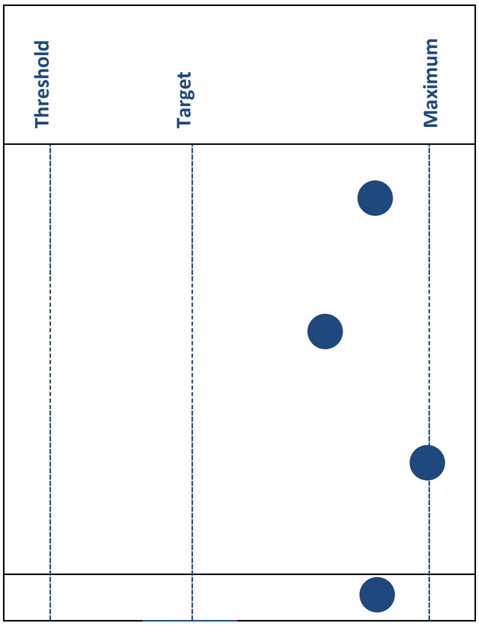
The table below describes the STIs available to, and achieved by, Executives during the year. Amounts shown as "Actual STI" represent the amounts accrued in relation to the 2017 financial year, based on achievement of the specified performance criteria. No additional amounts vest in future years in respect of the STI plan for the 2017 financial year. The Board has discretion whether to pay the STI in any given year, irrespective of whether Company and individual STI targets have been achieved. The Board also has discretion to pay the STI in cash or shares. The Board did not apply discretion to the calculation of the 2017 STI. The Board last applied discretion to the STI calculation in 2014, when it applied its discretion not to award an STI to Executives due to financial underperformance, even though one of the targets had been achieved at maximum.

2017	Maximum potential STI		Actual STI included in remuneration	% of maximum potential total STI earned(2)	% of maximum potential total STI foregone
	Target $	Stretch(1) $	$	%	%
R S Vassie	382,925	765,850	689,265	90%	10%
G Campbell-Cowan	224,240	448,480	399,146	89%	11%

(1) Inclusive of STI "Target".
(2) The total STI % comprises 70% Group STI measures plus 30% Individual STI measures.

The Group's STI measures for the 2017 financial year were equally weighted and comprised the following:

	STI Measure	Target	Weighting	Result	% of max. achieved
(a)	Total Recordable Injury Frequency Rate	2.2 and no fatalities	33⅓%	TRIFR of 1.2 achieved with no fatalities, between target (2.2) and maximum (1.0)	92%
(b)	Gold production	367,000 ounces	33⅓%	381,101 ounces produced, between target (367,000 oz) and maximum (390,000 oz)	81%
(c)	All In Sustaining Costs	A$1,001/oz	33⅓%	AISC A$907/oz achieved, outperformed maximum (A$947/oz)	100%
(d)	Board discretion (1)	n/a	-	Discretion not applied	-
	Overall Group STI Performance				91%



(1) Discretionary factor determined by the Board, designed to take into account unexpected events and achievements during the year.

Individual STI performance measures were aligned with the Group strategy and varied according to the individual Executive's responsibilities, and for the 2017 financial year are set out below. STI performance for Executives is assessed by the Board against objective and subjective measures. Some of the detailed measures and outcomes are commercially sensitive and are described in general terms only.

Executive	Individual STI performance measures	Summary of performance assessed by Board	% of maximum achieved
MD & CEO	• Leadership in design and execution of strategy and key strategic projects • Leadership of organic and inorganic growth opportunities	Successful execution against Board approved strategic plan, including: • Gwalia extension project approved • Successful Simberi strategic review process and outcome • Additions to resources and reserves • Organic and inorganic growth options, including option and farm in agreement with Newcrest	88%
CFO	• Effective capital management and debt reduction • Lead business development strategy and execution • Lead financial, procurement and project governance of Gwalia extension project	• Judicious early repayment of A$225 million in principal of US Senior Secured Notes, reducing interest expense for year by A$13 million • Creation of an appropriately resourced and focussed business development function • Successful Simberi strategic review process and a number of business development outcomes • Successful governance of Gwalia extension project and realisation of procurement benefits	85%

7.5 Performance Linked Remuneration - LTI

There are three LTI tranches relevant to the 2017 financial year, which are summarised below:

Grant year / tranche name	Description	Performance Conditions & Weighting		Performance Period	Status
FY15 Performance Rights	Granted as LTI remuneration in 2015 and disclosed in the 2015 Remuneration Report	RTSR ROCE	67% 33%	1 July 2014 to 30 June 2017	Performance period completed and results reported below
FY16 Performance Rights	Granted as LTI remuneration in 2016 and disclosed in the 2016 Remuneration Report	RTSR ROCE	67% 33%	1 July 2015 to 30 June 2018	To be assessed and reported in the 2018 Remuneration Report
FY17 Performance Rights	Granted as LTI remuneration in 2017 and disclosed in the 2017 Remuneration Report	RTSR ROCE	67% 33%	1 July 2016 to 30 June 2019	To be assessed and reported in the 2019 Remuneration Report

The three LTI tranches can be illustrated on a timeline as below:

Financial year

	FY15	FY16	FY17	FY18	FY19
FY15 Performance Rights	*Issued in FY15*	*3 yr vesting period*	*Tested June 2017*		
FY16 Performance Rights		*Issued in FY16*	*3 yr vesting period*	*To be tested June 2018*	
FY17 Performance Rights			*Issued in FY17*	*3 yr vesting period*	*To be tested June 2019*

7.6 Rights Vested and On Issue

The number of rights over ordinary shares in the Company held directly, indirectly or beneficially during the financial year by each Executive, including their related parties, and the number of rights that vested, are set out below:

2017	Grant year / tranche name	Grant Date	Price on issue date	Held at 1 July 2016	Granted as compensation	Vested during the year (3)	Forfeited during the year	Held at 30 June 2017 (1)	Financial year in which grant may vest
R S Vassie	FY15	9 Dec 14	$0.12	4,062,500	-	4,062,500	-	-	2017
	FY16	10 Dec 15	$0.51	1,104,674	-	-	-	1,104,674	2018
	FY17	12 Dec 16	$2.92	-	196,708(2)	-	-	196,708	2019
G Campbell-Cowan	FY15	5 Dec 14	$0.12	2,438,525	-	2,438,525	-	-	2017
	FY16	10 Dec 15	$0.51	575,291	575,291	-	-	575,291	2018
	FY17	21 Oct 16	$2.92	-	102,392	-	-	102,392	2019

(1) The vesting of rights held at 30 June 2017 is subject to future performance conditions.

(2) Approved by shareholders at the Annual General Meeting held on the 30 November 2016.

(3) These rights were determined by the Board on 23 August 2017 to have vested as at 30 June 2017 and are pending issue as shares as at the date of this report.

7.7 Rights granted in 2017

Details on rights over ordinary shares in the Company that were granted as remuneration to each Executive in the 2017 financial year are as follows:

2017	Grant year / tranche identifier	Grant date	Number of performance rights granted during 2017	Issue price per performance right	Expiry date	Fair value per performance right at grant date ($ per share)(1)
R S Vassie	FY17	12 Dec 2016	196,708(2)	$2.92	30 Jun 2019	$2.64
G Campbell-Cowan	FY17	21 Oct 2016	102,392	$2.92	30 Jun 2019	$2.64

(1) For accounting purposes, the estimated fair value of performance rights at grant date was determined using a Black-Scholes valuation to which a Monte Carlo simulation was applied to determine the probability of the market conditions associated with the rights being met. Fair values at grant date are based on the prevailing market price on the date the performance right is granted. The assessed fair value at the grant date of performance rights is allocated equally over the period from grant date to vesting date. This methodology complied with the requirements of Australian Accounting standard AASB 2 *Share-based Payments.*

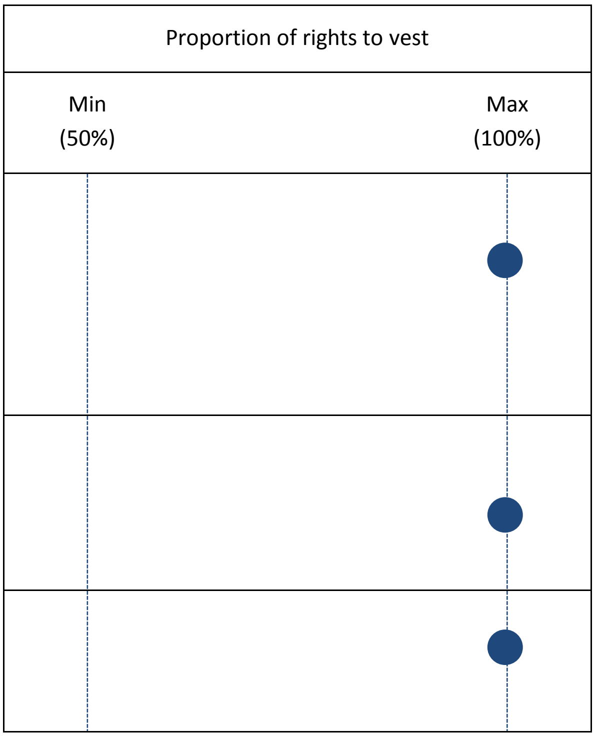
(2) Approved by shareholders at the Annual General Meeting held on the 30 November 2016.

7.8 Calculation of the number of FY15 Performance Rights vested in 2017

6,501,025 (100%) of the 6,501,025 FY15 Performance Rights available to Executives vested at 30 June 2017. No FY15 Performance Rights lapsed at 30 June 2017. The Performance Rights vested represent 1.3% of total shares on issue at 30 June 2017, and 1.3% of the increase in market capitalisation over the corresponding three year measurement period. The FY15 rights were issued in December 2014 at a 10 day VWAP price calculated under the Rights Plan Rules and Notice of 2014 Annual General Meeting of $0.12 each, representing an at-risk value of $780,123 for the aggregate FY15 Executive remuneration.

The FY15 Performance Rights were assessed as follows:

(a)		*RTSR*
	Weighting:	67%
	Actual score:	highest recorded TSR of comparator group of 2,308% (100th percentile) (details below)
	Calculation:	100% (for achieving above the 75th percentile)
(b)		*ROCE*
	Weighting:	33%
	Actual ROCE:	45.2% (details below)
	Calculation:	100% (for achieving above upper threshold of WACC 7.6% +7% = 14.6%
(c)	*Combined score*	
		(100% x 67%)
	+	(100% x 33%)
	=	100%



RTSR Calculation for FY15 Performance Rights

The result of the RTSR component of the FY15 Performance Rights for the period 1 July 2014 to 30 June 2017 was:

Relative TSR Performance	Percentage of Performance Rights to vest	Result
Below 50th percentile	0%	St Barbara achieved a TSR of 2,308% for the period, and ranked at the 100th percentile of the comparator group of companies for the period, above the 75th percentile upper threshold.
50th percentile	50%	
Between 50th & 75th percentiles	Pro-rata from 50% to 100%	
75th percentile and above	100%	As a result, 100% of the Performance Rights linked to RTSR vested.

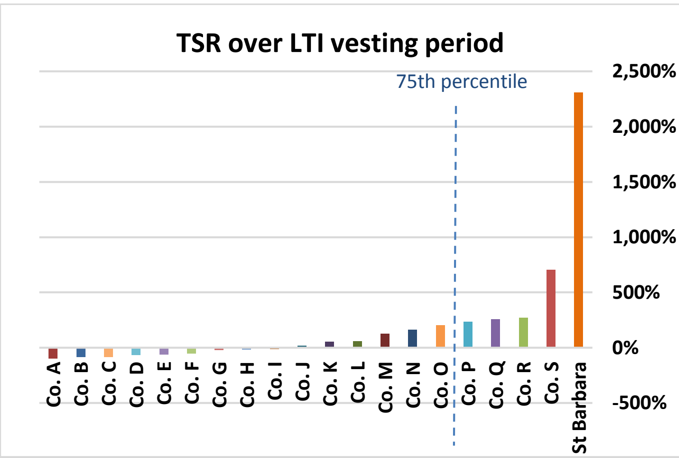


Chart of TSR results for comparator companies (table next page)

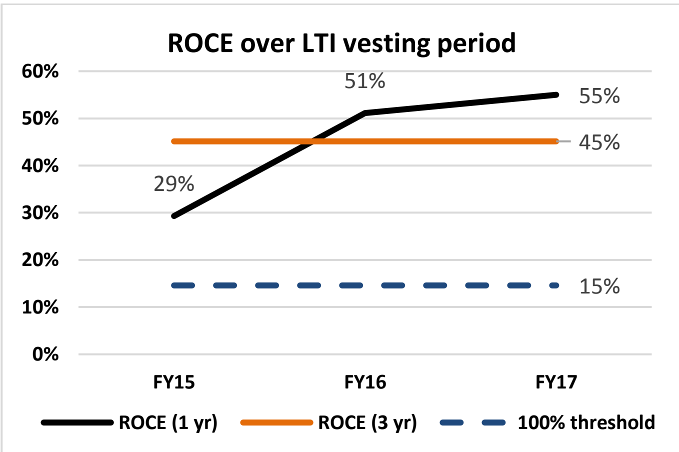


Chart of ROCE (calculated on the next page)

The comparator group of companies for FY15 Performance Rights comprised:

Alacer Gold Corp. (ASX: AQG)	Kingsrose Mining Limited (ASX: KRM)[1]	Resolute Mining Limited (ASX: RSG)
Beadell Resources Limited (ASX: BDR)	Medusa Mining Limited (ASX: MML)	Saracen Mineral Holdings Limited (ASX: SAR)
Evolution Mining Limited (ASX: EVN)	Northern Star Resources Ltd (ASX: NST)	Silver Lake Resources Limited (ASX: SLR)
Focus Minerals Ltd (ASX: FML)	OceanaGold Corporation (ASX: OGC)	Tanami Gold NL (ASX: TAM)
Gryphon Minerals Limited (ASX: GRY)[2]	Perseus Mining Limited (ASX: PRU)	Troy Resources Limited (ASX: TRY)
Intrepid Mines Limited (ASX: IAU)	Ramelius Resources Limited (ASX: RMS)	
Kingsgate Consolidated Limited (ASX: KCN)	Regis Resources Limited (ASX: RRL)	

ROCE Calculation for FY15 Performance Rights

The result of the ROCE component over the three year vesting period commencing 1 July 2014 and ending on 30 June 2017 was:

ROCE	Percentage of Performance Rights to vest	Result
Less than or equal to the average annual WACC over the three year period commencing on 1 July 2014	0%	St Barbara achieved a ROCE for the period of 45.2% (see calculation below), which is above the upper threshold of WACC for the period of 7.6% +7% = 14.6%.
WACC (calculated as above) + 3%	50%	
WACC (calculated as above) + between 3% and 7%	Pro-rata from 50% to 100%	As a result, 100% of the Performance Rights linked to ROCE vested
WACC (calculated as above) + 7%	100%	

ROCE is calculated as EBIT before significant items expressed as a percentage of average total capital employed (net debt and total equity)[3].

Measure	2015	2016[4]	2017
EBIT (excluding significant items)	99,010	204,585	234,992
EBIT (discontinued operations) [5]	18,528	-	-
EBIT (sum of above)	117,538	204,585	234,992
Capital employed – opening balance			
Total equity	131,812	140,429	300,614
Net debt[6]	260,169	270,090	89,629
Capital employed – opening balance	391,981	410,519	390,243
Capital employed– closing balance			
Total equity	140,429	300,614	461,127
Net debt[6]	270,090	89,629	-
Capital employed– closing balance	410,519	390,243	461,127
Capital employed – average for period	401,250	400,381	425,685
ROCE (EBIT ÷ average total capital employed) for year	29.3%	51.1%	55.2%
ROCE average of the 3 years in the vesting period	n/a	25.6%	45.2%
WACC average of the 3 years in the vesting period	n/a	13.9%	7.6%

WACC is calculated using the widely available formula of (relative weight of equity x required rate of return) + (relative weight of debt x cost of debt)[7]. In this instance, WACC is calculated on a pre-tax basis to match the pre-tax nature of EBIT. The full calculation of WACC is not disclosed as it is considered to be commercial in confidence, however, the primary variables include:

- reported balance sheet figures for debt and equity.
- government 10 year bond rate as proxy for risk free premium.
- ASX All Ordinaries Index as proxy for market portfolio and to determine relative volatility.

On this basis, average WACC of the 3 years commencing 1 July 2014 and ending on 30 June 2017 is 7.6% (2016: 13.9%). The reason for the reduction in WACC is primarily due to the lower proportion of debt in FY17, and lower market returns over the 3 year period.

1 Kingsrose Mining Limited went into trading halt on 12 December 2016, was suspended from trading on 13 December 2016, and appointed a voluntary administrator on 28 December 2016. The RTSR assessment incorporates a pro rata calculation of Kingsrose TSR to the last day of trade, 9 December 2016.

2 Gryphon Minerals Limited was acquired by Teranga Gold Corporation (TSX: TGZ, ASX: TGZ) under a scheme of arrangement and was suspended from quotation at close of trade on 29 September 2016 and subsequently delisted from the ASX on 13 October 2016. The RTSR assessment incorporates a pro rata calculation comprising Gryphon TSR to the last day of trade, 29 September 2016, and the arithmetic average of the remaining comparator companies (excluding Kingsrose) for the remainder of the vesting period.

3 ROCE is not an IFRS measure and is calculated in the table above.

4 2016 calculation as reported in 2016 Remuneration Report.

5 EBIT for discontinued operations calculated as profit or loss on discontinued operations before tax excluding impairments.

6 Net debt comprises cash and cash equivalents, interest bearing borrowings – current and interest bearing borrowings – non-current. The minimum net debt figure applied to the calculation is nil (i.e. where the Company is in a net cash position).

7 WACC is not an IFRS measure. The above parameters can be used to calculate WACC using commonly available formula.

7.9 Details of FY16 Performance Rights granted during 2016

FY16 Performance Rights were granted under the St Barbara Limited Rights Plan (2015), and details of the performance conditions were set out in the Notice of 2015 Annual General Meeting and 2016 Remuneration Report. Performance rights issued to Mr Vassie, Managing Director and CEO, were also approved by shareholders at the 2015 Annual General Meeting.

Key Features of FY16 Performance Rights

Performance conditions	Relative Total Shareholder Returns (67% weighting); Return on capital employed in excess of the weighted average cost of capital (33% weighting).
Other conditions	Include continuing employment
Issue price	10 day VWAP at start, 30 June 2015, $0.5092
Measurement period	1 July 2015 to 30 June 2018
Vesting date	30 June 2018

(i) RTSR

RTSR is measured against a defined peer group of companies which the Board considers compete with the Company for the same investment capital, both in Australia and overseas, and which by the nature of their business are influenced by commodity prices and other external factors similar to those that impact on the TSR performance of the Company. At the discretion of the Board, the composition of the comparator group may change from time to time.

The comparator group of companies for FY16 Performance Rights comprises:

Alacer Gold Corp (ASX: AQG)	OceanaGold Corporation (ASX: OGC)
Beadell Resources Limited (ASX: BDR)	Perseus Mining Limited (ASX: PRU)
Evolution Mining Limited (ASX: EVN)	Ramelius Resources Limited (ASX: RMS)
Focus Minerals Ltd (ASX: FML)	Regis Resources Limited (ASX: RRL)
Gryphon Minerals Limited (ASX: GRY)	Resolute Mining Limited (ASX: RSG)
Intrepid Mines Limited (ASX: IAU)	Saracen Mineral Holdings Limited (ASX: SAR)
Kingsgate Consolidated Limited (ASX: KCN)	Silver Lake Resources Limited (ASX: SLR)
Kingsrose Mining Limited (ASX: KRM)	Tanami Gold NL (ASX: TAM)
Medusa Mining Limited (ASX: MNL)	Troy Resources Limited (ASX: TRY)
Northern Star Resources Ltd (ASX: NST)	Oz Minerals Limited (ASX: OZL)

The proportion of the FY16 Performance Rights that vest will be influenced by the Company's TSR relative to the comparator group over the three year vesting period commencing 1 July 2015 and ending 30 June 2018 as outlined below:

Relative TSR Performance	**% Contribution to the Number of Performance Rights to Vest**
Below 50th percentile	0%
50th percentile	50%
Between 50th & 75th percentiles	Pro-rata from 50% to 100%
75th percentile and above	100%

(ii) ROCE

The proportion of FY16 Performance Rights that vest will be influenced by the ROCE achieved by the Company over the three year vesting period commencing 1 July 2015 and ending 30 June 2018.

Return on Capital Employed (ROCE)	**% Contribution to the Number of Performance Rights to Vest**
Less than or equal to the average annual weighted average cost of capital (WACC) over the three year period commencing on 1 July 2015	0%
WACC (calculated as above) + 3%	50%
WACC (calculated as above) + between 3% and 7%	Pro-rata from 50% to 100%
WACC (calculated as above) + 7%	100%

The outcome of FY16 Performance Rights will be reported in the 2018 Remuneration Report.

7.10 Details of FY17 Performance Rights granted during 2017

FY17 Performance Rights were granted under the St Barbara Limited Rights Plan (2015), and details of the performance conditions were set out in the Notice of 2016 Annual General Meeting. Performance rights issued to Mr Vassie, Managing Director and CEO, were also approved by shareholders at the 2016 Annual General Meeting.

Key Features of FY17 Performance Rights

Performance conditions	Relative Total Shareholder Returns (67% weighting); Return on capital employed in excess of the weighted average cost of capital (33% weighting).
Other conditions	Include continuing employment
Issue price	10 day VWAP at start, 30 June 2016, $2.92
Measurement period	1 July 2016 to 30 June 2019
Vesting date	30 June 2019

(i) RTSR

RTSR is measured against a defined peer group of companies which the Board considers compete with the Company for the same investment capital, both in Australia and overseas, and which by the nature of their business are influenced by commodity prices and other external factors similar to those that impact on the TSR performance of the Company. At the discretion of the Board, the composition of the comparator group may change from time to time.

The comparator group of companies for FY17 Performance Rights comprises:

Alacer Gold Corp (ASX: AQG)	OceanaGold Corporation (ASX: OGC)
Beadell Resources Limited (ASX: BDR)	Perseus Mining Limited (ASX: PRU)
Evolution Mining Limited (ASX: EVN)	Ramelius Resources Limited (ASX: RMS)
Focus Minerals Ltd (ASX: FML)	Regis Resources Limited (ASX: RRL)
Gryphon Minerals Limited (ASX: GRY)	Resolute Mining Limited (ASX: RSG)
Intrepid Mines Limited (ASX: IAU)	Saracen Mineral Holdings Limited (ASX: SAR)
Kingsgate Consolidated Limited (ASX: KCN)	Silver Lake Resources Limited (ASX: SLR)
Kingsrose Mining Limited (ASX: KRM)	Tanami Gold NL (ASX: TAM)
Medusa Mining Limited (ASX: MNL)	Troy Resources Limited (ASX: TRY)
Northern Star Resources Ltd (ASX: NST)	Oz Minerals Limited (ASX: OZL)

The proportion of the FY17 Performance Rights that vest will be influenced by the Company's TSR relative to the comparator group over the three year vesting period commencing 1 July 2016 and ending 30 June 2019 as outlined below:

Relative TSR Performance	**% Contribution to the Number of Performance Rights to Vest**
Below 50th percentile	0%
50th percentile	50%
Between 50th & 75th percentiles	Pro-rata from 50% to 100%
75th percentile and above	100%

(ii) ROCE

The proportion of FY17 Performance Rights that vest will be influenced by the ROCE achieved by the Company over the three year vesting period commencing 1 July 2016 and ending 30 June 2019.

Return on Capital Employed (ROCE)	**% Contribution to the Number of Performance Rights to Vest**
Less than or equal to the average annual weighted average cost of capital (WACC) over the three year period commencing on 1 July 2016	0%
WACC (calculated as above) + 3%	50%
WACC (calculated as above) + between 3% and 7%	Pro-rata from 50% to 100%
WACC (calculated as above) + 7%	100%

The outcome of FY17 Performance Rights will be reported in the 2019 Remuneration Report.

8. *Non-Executive Director Remuneration*

Non-Executive Directors' fees are reviewed annually by the Board to ensure fees are appropriate to reflect the responsibilities and time commitments required of Non-Executive Directors and is consistent with the market to ensure that the Group continues to attract and retain Non-Executive Directors of a high calibre.

The level of fees paid to Non-Executive Directors is set by the Board, within the aggregate pool approved by shareholders (which is $1,200,000 per annum in aggregate, approved by shareholders at the Annual General Meeting in November 2012) and reported to shareholders in this report each year.

Separate fees are paid for the following roles:

- Chair of the Board (this fee is inclusive of all Board Committee commitments)
- Member of the Board
- Chair of a Board Committee
- Member of a Board Committee

In order to maintain their independence and impartiality, the fees paid to Non-Executive Directors are not linked to the performance of the Group.

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 limits. Non-Executive Directors are not entitled to retirement benefits, bonuses or equity based incentives.

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

The estimated aggregate Non-Executive Directors' fees for 2018 is well within the shareholder approved aggregate of $1,200,000 per annum.

Following a review of comparable resource industry remuneration levels for non-executive directors, the Board resolved to increase Non-Executive Directors fees for 2018 as follows:

		July 2012 to Feb 2014	March 2014 to June 2016	2017	2018
Director fee	$	100,000	90,000	92,000	101,200
Committee Chair	$	17,500	15,750	16,000	20,000
Committee Member	$	8,500	7,650	10,000	10,000
Chairman[1]	$	248,000	223,200	228,000	250,800
		2015	**2016**	**2017**	**2018**
Annual aggregate fees	$	594,945	465,800	484,000	*est. 533,200* [2]

(1) The Chairman's fee is inclusive of all Board Committee commitments.
(2) Aggregate fees for 2018 is estimated on the number of Directors and composition of Board Committees at the date of this report.

The Directors in office and the composition of Board Committees at the date of this report are:

Director	Appointed	Length of service [2]	Board	Audit & Risk Committee	Health, Safety, Environment & Community Committee	Remuneration Committee
T C Netscher	17 Feb 2014[1]	3 years	Chairman	Member	Chair	Member
R S Vassie	1 Jul 2014	3 years	MD & CEO	-	Member	-
D E J Moroney	16 Mar 2015	2 years	Director	Chair	Member	Member
K J Gleeson	18 May 2015	2 years	Director	Member	Member	Chair

(1) Appointed as Director 17 February 2014, appointed as Chairman 1 July 2015.
(2) Whole years to 30 June 2017.

9. Additional Statutory Information

Key Management Personnel Shareholdings

The numbers of shares in the Company held directly, indirectly or beneficially during the year by each Key Management Personnel, including their related parties, are set out below. There were no shares granted during the year as compensation.

Name	Note	Balance at the start of the year	Issued upon exercised of performance rights	Purchased	Sold	Other changes	Balance at the end of the year
Non-Executive Directors							
T C Netscher		-	-	22,000	-	-	22,000
D E J Moroney		100,000	-	-	-	-	100,000
K J Gleeson		-	-	8,333	-	-	8,333
Executive Director							
R S Vassie		1,769,053	-	-	-	-	1,769,053 [1]
Executives							
G Campbell-Cowan		15,000	400,117	-	-	-	415,117 [2]

(1) In addition, 4,062,500 employee rights were determined by the Board on 23 August 2017 to have vested as at 30 June 2017 and are pending issue as shares as at the date of this report.

(2) In addition, 2,438,525 employee rights were determined by the Board on 23 August 2017 to have vested as at 30 June 2017 and are pending issue as shares as at the date of this report.

Shareholding guidelines for Non-Executive Directors and Executives

The Group encourages Non-Executive Directors, Executives and employees to own shares (subject to the Group's Securities Dealing Policy).

The Group does not specify target volumes for such shareholdings, as it does not know the personal preferences and objectives, financial situation or risk profile of individuals. The Group acknowledges that gold mining equities would normally only comprise a small proportion of an individual's balanced investment portfolio, and that gold mining equities are generally considered to be volatile and counter-cyclical to economic cycles. The Group has not identified any of its key peers with which it competes for talent to have shareholding guidelines.

Loans to Directors and Executives

There were no loans to Directors or Executives during the financial year 2017.

END OF REMUNERATION REPORT

Indemnification and insurance of officers

The Company's Constitution provides that, to the extent permitted by law, the Company must indemnify any person who is, or has been, an officer of the Company against any liability incurred by that person including any liability incurred as an officer of the Company or a subsidiary of the Company and legal costs incurred by that person in defending an action.

The Constitution further provides that the Company may enter into an agreement with any person who is, or has been, an officer of the Company or a subsidiary of the Company to indemnify the person against such liabilities.

The Company has entered into Deeds of Access, Indemnity and Insurance with current and former officers. The Deeds address the matters set out in the Constitution. Pursuant to those deeds, the Company has paid a premium in respect of a contract insuring current and former officers of the Company and current and former officers of its controlled entities against liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions where the liability relates to conduct involving lack of good faith.

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.

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

St Barbara regards compliance with environmental legislation, regulations and regulatory instruments as the minimum performance standard for its operations. The Group's operations in Western Australia are subject to environmental regulation under both Commonwealth and State legislation. In Papua New Guinea, the Group ensures compliance with the relevant National and Provincial legislation and where appropriate standards or legislation are not available, the Group reverts to the standard of environmental performance as stipulated in the Western Australian legislation.

A Group-wide Environmental Management System (EMS) has been implemented to facilitate the effective and responsible management of environmental issues to the same high standard across all sites in both Australia and Papua New Guinea. Adoption of the EMS at all operations has contributed to further reductions in the number of minor environmental incidents, and an improvement in internal compliance rates for environmental audits and inspections. There were no externally reportable environmental incidents during the year ended 30 June 2017 at any of the Group's Australian and Pacific sites.

Non-audit services

During the year the Company did employ the auditor to provide services in addition to their statutory audit duties. Details of the amounts paid or payable to the auditor, PricewaterhouseCoopers, for non-audit services provided during the 2017 financial year are set out in Note 18 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit & Risk Committee, is satisfied that the provision of non-audit services during the year as set out in Note 18 did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- The Audit & Risk Committee annually informs the Board of the detail, nature and amount of any non-audit services rendered by PricewaterhouseCoopers during the financial year, giving an explanation of why the provision of these services is compatible with auditor independence. If applicable, the Audit & Risk Committee recommends that the Board take appropriate action in response to the Audit & Risk Committee's report to satisfy itself of the independence of PricewaterhouseCoopers.

Auditor independence

A copy of the Auditor's Independence Declaration required under section 307C of the Corporations Act 2001 is set out on page 37 and forms part of this Directors' Report.

Events occurring after the end of the financial year

Subsequent to year end, the directors have declared a fully franked final dividend of 6 cents per ordinary share to be paid on the 28 September 2017. A provision for this dividend has not been recognised in the 30 June 2017 financial statements.

Rounding of amounts

St Barbara Limited is a Company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 issued by the Australian Securities and Investment Commission (ASIC). 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 23rd day of August 2017

Bob Vassie

Managing Director and CEO

pwc

Auditor's Independence Declaration

As lead auditor for the audit of St Barbara Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

John O'Donoghue
Partner
PricewaterhouseCoopers

Melbourne
23 August 2017

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Financial Report

Contents

About this report

St Barbara Limited (the "Company" or "Parent Entity") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is a for-profit entity primarily involved in mining and sale of gold, mineral exploration and development.

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 complies with International Financial Reporting Standards (IFRSs) and interpretations issued by the International Accounting Standards Board.

The consolidated financial statements have been presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) as specified in the ASIC Corporation Instrument 2016/191 unless otherwise stated.

The Board of Directors approved the financial statements on 23 August 2017.

What's in this report

St Barbara's Directors have included information in this report that they deem to be material and relevant to the understanding of the financial statements and the Group.

A disclosure has been considered material and relevant where:

- the dollar amount is significant in size (quantitative);
- the dollar amount is significant in nature (qualitative);
- the Group's result cannot be understood without the specific disclosure; and
- it relates to an aspect of the Group's operations that is important to its future performance.

Accounting policies and critical accounting judgements and estimates applied to the preparation of the financial statements are represented where the related accounting balance or financial statement matter is discussed. To assist in identifying critical accounting judgements and estimates, we have highlighted them in the following manner:

Accounting judgements and estimates

Income statement
for the year ended 30 June 2017

		CONSOLIDATED	
		2017	2016
	Notes	**$'000**	$'000
Operations			
Revenue	1	**641,702**	610,115
Mine operating costs	1	**(267,244)**	(280,927)
Gross profit		**374,458**	329,188
Interest revenue		**1,948**	1,960
Other revenue		**-**	34
Other income		**86**	3,564
Exploration expensed		**(10,647)**	(6,786)
Corporate costs		**(20,977)**	(19,184)
Royalties	1	**(21,774)**	(21,455)
Depreciation and amortisation	5	**(85,583)**	(80,915)
Other expenses		**(3,608)**	(1,967)
Net gain on disposal of assets		**-**	14,570
Impairment losses and asset write-downs	3	**(27,273)**	-
Operating profit		**206,630**	219,009
Finance costs	12	**(19,961)**	(35,749)
Net foreign exchange gain		**3,037**	142
Profit before income tax		**189,706**	183,402
Income tax expense	2	**(32,134)**	(14,014)
Profit from operations		**157,572**	169,388
Profit attributable to equity holders of the Company		**157,572**	169,388
Earnings per share for operations:			
Basic earnings per share (cents per share)	4	**31.71**	34.21
Diluted earnings per share (cents per share)	4	**30.42**	32.70

The above income statement should be read in conjunction with the notes to the financial statements.

Statement of comprehensive income

for the year ended 30 June 2017

	Notes	CONSOLIDATED 2017 $'000	2016 $'000
Profit for the year		**157,572**	169,388
Other comprehensive income			
Items that may be reclassified subsequently to profit:			
Changes in fair value of available for sale financial assets		**(8)**	(13)
Income tax on other comprehensive income		**-**	1,204
Foreign currency translation differences - foreign operations		**904**	(11,322)
Other comprehensive profit/(loss) net of tax(1)		**896**	(10,131)
Total comprehensive income attributable to equity holders of the Company		**158,468**	159,257

(1) Other comprehensive income comprises items of income and expense that are recognised directly in reserves or equity. These items are not recognised in the consolidated income statement in accordance with the requirements of the relevant accounting standards. Total comprehensive profit comprises the result for the year adjusted for the other comprehensive income.

The above statement of comprehensive income should be read in conjunction with notes to the financial statements.

Balance sheet
as at 30 June 2017

	Notes	CONSOLIDATED 2017 $'000	2016 $'000
Assets			
Current assets			
Cash and cash equivalents	12	**160,909**	136,689
Trade and other receivables	10	**9,270**	8,286
Inventories	10	**55,340**	58,164
Deferred mining costs	6	**5,608**	4,446
Total current assets		**231,127**	207,585
Non-current assets			
Trade and other receivables	10	**-**	2,366
Property, plant and equipment	5	**126,493**	162,448
Financial assets		**4,569**	56
Deferred mining costs	6	**9,253**	11,271
Mine properties	7	**159,859**	179,884
Exploration and evaluation	8	**35,411**	25,975
Mineral rights	7	**7,560**	19,785
Deferred tax assets	2	**29,399**	3,267
Total non-current assets		**372,544**	405,052
Total assets		**603,671**	612,637
Liabilities			
Current liabilities			
Trade and other payables	10	**36,480**	39,768
Interest bearing borrowings	12	**507**	3,201
Rehabilitation provision	9	**488**	493
Other provisions	16	**12,154**	10,519
Current tax liability	2	**29,692**	-
Total current liabilities		**79,321**	53,981
Non-current liabilities			
Interest bearing borrowings	12	**40**	223,117
Rehabilitation provision	9	**27,750**	28,095
Deferred tax liabilities	2	**31,221**	2,169
Other provisions	16	**4,212**	4,661
Total non-current liabilities		**63,223**	258,042
Total liabilities		**142,544**	312,023
Net Assets		**461,127**	300,614
Equity			
Contributed equity	13	**887,254**	887,216
Reserves		**(55,736)**	(58,639)
Accumulated losses		**(370,391)**	(527,963)
Total equity		**461,127**	300,614

The above balance sheet should be read in conjunction with notes to the financial statements.

Statement of changes in equity

for the year ended 30 June 2017

		CONSOLIDATED				
	Note	**Contributed Equity $'000**	**Foreign Currency Translation Reserve $'000**	**Other Reserves $'000**	**Accumulated Losses $'000**	**Total $'000**
Balance at 1 July 2015		887,216	(49,459)	23	(697,351)	140,429
Transactions with owners of the Company recognised directly in equity:						
Share-based payments expense	17	-	-	928	-	928
Total comprehensive income for the year						
Profit attributable to equity holders of the Company		-	-	-	169,388	169,388
Other comprehensive loss		-	(10,118)	(13)	-	(10,131)
Balance at 30 June 2016		887,216	(59,577)	938	(527,963)	300,614
Transactions with owners of the Company recognised directly in equity:						
Share-based payments expense	**17**	**38**	**-**	**2,007**	**-**	**2,045**
Total comprehensive income for the year						
Profit attributable to equity holders of the Company		**-**	**-**	**-**	**157,572**	**157,572**
Other comprehensive gain/(loss)		**-**	**904**	**(8)**	**-**	**896**
Balance at 30 June 2017		**887,254**	**(58,673)**	**2,937**	**(370,391)**	**461,127**

The above statement of changes in equity should be read in conjunction with notes to the financial statements.

Cash flow statement

for the year ended 30 June 2017

	Notes	Consolidated 2017 $'000	2016 $'000
Cash Flows From Operating Activities:			
Receipts from customers (inclusive of GST)		**640,354**	615,244
Payments to suppliers and employees (inclusive of GST)		**(309,097)**	(336,805)
Payments for exploration and evaluation		**(10,647)**	(6,786)
Interest received		**1,948**	1,910
Interest paid		**(11,304)**	(30,405)
Finance charges – finance leases		**(11)**	(225)
Borrowing costs paid		**(8,017)**	(145)
Net cash inflow from operating activities	12	**303,226**	242,788
Cash Flows From Investing Activities:			
Proceeds from sale of property, plant and equipment		**-**	12
Proceeds from deferred settlement relating to sale of asset		**2,700**	-
Payments for property, plant and equipment		**(9,796)**	(16,057)
Payments for development of mining properties		**(32,036)**	(21,071)
Payments for exploration and evaluation		**(9,436)**	(9,006)
Investments in shares		**(4,540)**	-
Net cash outflow used in investing activities		**(53,108)**	(46,122)
Cash Flows From Financing Activities:			
Movement in restricted cash		**118**	1,966
Premium funding repayments		**(2,209)**	-
Red Kite loan repayments		**-**	(102,073)
US senior secured notes repayments		**(225,409)**	(37,798)
Principal repayments - finance leases		**(946)**	(2,225)
Net cash outflow used in financing activities		**(228,446)**	(140,130)
Net increase in cash and cash equivalents		**21,672**	56,536
Cash and cash equivalents at the beginning of the year		**136,689**	76,871
Net movement in foreign exchange rates		**2,548**	3,282
Cash and cash equivalents at the end of the year	12	**160,909**	136,689

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing or financing activities, which are recoverable from, or payable to, the taxation authority are classified as part of operating cash flows.

The above cash flow statement should be read in conjunction notes to the financial statements.

A. Key results

1 Segment information

	Leonora		Simberi		Total segment	
	2017	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Gold Revenue	**441,394**	439,593	**199,319**	169,277	**640,713**	608,870
Silver Revenue	**553**	740	**436**	505	**989**	1,245
Total Revenue	**441,947**	440,333	**199,755**	169,782	**641,702**	610,115
Mine operating costs	**(143,107)**	(161,117)	**(124,137)**	(119,810)	**(267,244)**	(280,927)
Gross profit	**298,840**	279,216	**75,618**	49,972	**374,458**	329,188
Royalties (1)	**(17,303)**	(17,608)	**(4,471)**	(3,847)	**(21,774)**	(21,455)
Impairment losses and asset write downs	**-**	-	**(27,273)**	-	**(27,273)**	-
Depreciation and amortisation	**(61,903)**	(63,492)	**(19,838)**	(12,098)	**(81,741)**	(75,590)
Net gain/(loss) on disposal of assets	**-**	14,673	**-**	(103)	**-**	14,570
Segment profit before income tax	**219,634**	212,789	**24,036**	33,924	**243,670**	246,713
Capital expenditure						
Sustaining	**(30,206)**	(27,065)	**(3,711)**	(9,402)	**(33,917)**	(36,467)
Growth(3)	**(9,402)**	(9,006)	**-**	-	**(9,402)**	(9,006)
Gwalia Extension Project	**(7,861)**	-	**-**	-	**(7,861)**	-
Total capital expenditure	**(47,469)**	(36,071)	**(3,711)**	(9,402)	**(51,180)**	(45,473)
Segment assets(2)	**304,904**	317,514	**123,963**	146,666	**428,867**	464,180
Segment non-current assets(2)	**279,276**	285,786	**86,148**	101,119	**365,424**	386,905
Segment liabilities(2)	**26,130**	22,670	**29,775**	35,428	**55,905**	58,098

(1) Royalties include state and government royalties and corporate royalties.
(2) Represents the reportable segment balances after impairment and asset write down charges.
(3) Growth capital at Gwalia represents deep drilling expenditure reported as part of exploration.

The Group has two operational business units: Leonora operations and Simberi Operations. The operational business units are managed separately due to their separate geographic regions.

A reportable segment is a component of the Group that engages in business activities from which it may earn revenues or incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating results (including production, cost per ounce and capital expenditure) of all reportable segments are regularly reviewed by the Group's Executive Leadership Team ("ELT") to make decisions about resources to be allocated to the segment and assess its performance.

Performance is measured based on segment profit before income tax, as this is deemed to be the most relevant in assessing performance, after taking into account factors such as cost per ounce of production.

Segment capital expenditure represents the total cost incurred during the year for mine development and acquisitions of property, plant and equipment. Growth capital at Gwalia represents deep drilling exploration expenditure to extend mineral resources.

Sales revenue
Revenue from the sale of gold and silver in the course of ordinary activities is measured at the fair value of the consideration received or receivable. 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 can be estimated reliably, and it is probable that future economic benefits will flow to the Group.

Royalties
Royalties are payable on gold sales revenue, based on gold ounces produced and sold, and are therefore recognised as the sale occurs.

Major Customers
Major customers to whom the Group provides goods that are more than 10% of external revenue are as follows:

	Revenue		% of external revenue	
	2017	2016	**2017**	2016
	$'000	$'000	**%**	%
Customer A	**217,305**	296,399	**33.9**	48.7
Customer B	**250,736**	262,384	**39.2**	43.1
Customer C	**106,774**	-	**16.7**	-

1 Segment information (continued)

	Consolidated	
Operations	**2017 $'000**	2016 $'000
Total profit for reportable segments	**243,670**	246,713
Other income and revenue	**2,034**	5,558
Exploration expensed	**(10,647)**	(6,786)
Unallocated depreciation and amortisation	**(3,842)**	(5,325)
Finance costs	**(19,961)**	(35,749)
Corporate costs	**(20,977)**	(19,184)
Net foreign exchange gain	**3,037**	142
Other expenses	**(3,608)**	(1,967)
Consolidated profit before income tax	**189,706**	183,402

Assets		
Total assets for reportable segments	**428,867**	464,180
Cash and cash equivalents	**160,106**	134,081
Trade and other receivables (current)	**7,578**	7,500
Trade and other receivables (non-current)	**-**	2,366
Financial assets	**4,569**	56
Property, plant & equipment	**2,551**	4,454
Consolidated total assets	**603,671**	612,637

Liabilities		
Total liabilities for reportable segments	**55,905**	58,098
Trade and other payables	**14,542**	16,049
Interest bearing liabilities (current)	**436**	3,030
Provisions (current)	**9,125**	8,051
Interest bearing liabilities (non-current)	**11**	223,117
Provisions (non-current)	**1,612**	1,509
Current tax liability	**29,692**	-
Deferred tax liabilities	**31,221**	2,169
Consolidated total liabilities	**142,544**	312,023

Segment results that are reported to the ELT include items directly attributable to a segment and those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and related depreciation, exploration expense, finance costs and corporate costs.

2 Tax

Income tax expense

	Consolidated	
	2017	2016
	$'000	$'000
Current tax expense	**47,424**	41,277
Under/(over) provision in respect of the prior year	**(2,474)**	233
Deferred income tax benefit	**(12,816)**	(27,496)
Total income tax expense	**32,134**	14,014

Numerical reconciliation of income tax expense to prima facie tax payable

	2017	2016
	$'000	$'000
Profit before income tax	**189,706**	183,402
Tax at the Australian tax rate of 30%	**56,912**	55,021
Tax effect of amounts not deductible/(taxable) in calculating taxable income:		
Equity settled share based payments	**613**	279
Sundry items	**281**	(129)
Recognition of previously unbooked deferred tax assets in PNG	**(26,775)**	(3,344)
Permanent differences on taxable income	**(361)**	(1,162)
Research and development incentive	**(580)**	(630)
Use of tax losses not previously recognised	**(3,341)**	(7,474)
Interest expense previously treated as non deductible	**(2,289)**	-
Deferred tax assets recognised as a result of tax consolidation	**-**	(18,796)
Permanent differences arising from foreign exchange within the tax consolidated group	**(2,804)**	(9,751)
Provision for R&D tax credits previously recognised	**10,478**	-
Income tax expense	**32,134**	14,014

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the income statement, except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Tax exposure

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Tax consolidation

Entities in the tax consolidated group at 30 June 2017 included: St Barbara Ltd (head entity), Allied Gold Mining Ltd, Allied Gold Pty Ltd, and Allied Gold Finance Pty Ltd. Current and deferred tax amounts are allocated using the "separate taxpayer within group" method.

A tax sharing and funding agreement has been established between the entities in the tax consolidated group. The Company recognises deferred tax assets arising from the unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Current tax liability

As at 30 June 2017 the Company recognised a current tax liability of $29,692,000 (2016: $Nil) which included the provision for R&D tax credits.

Accounting judgements and estimates

During the year, AusIndustry performed a review of certain research and development projects previously claimed by the Company in relation to the research and development tax credit benefit scheme. Following their review, AusIndustry deemed the projects to be ineligible in accordance with research and development tax legislation. While the Company believes the projects are eligible, and has requested an independent review of the AusIndustry findings, a provision has been raised to reflect the impact of the projects potentially being finally disallowed as research and development, and the ATO issuing an amended assessment as a result.

2 Tax (continued)

Deferred tax balances

	Consolidated	
	2017 $'000	2016 $'000
Deferred tax assets		
Tax losses	**-**	41,722
Provisions and accruals	**41,699**	40,169
Investments at fair value	**-**	224
Unrealised foreign exchange losses	**-**	64,560
Property, plant and equipment	**113,384**	21,105
Other	**630**	3,326
Total	**155,713**	171,106
Tax effect @ 30%	**46,714**	51,332
Deferred tax liabilities		
Accrued income	**255**	229
Mine properties – exploration	**38,595**	30,209
Mine properties – development	**57,131**	81,976
Consumables	**46,033**	52,123
Capitalised convertible notes costs	**3,347**	2,908
Unrealised foreign exchange gains	**16,426**	-
Total	**161,787**	167,445
Tax effect @ 30%	**48,536**	50,234
Net deferred tax balance	**(1,822)**	1,098

Comprising of:		
Australia – net deferred tax liabilities	**(31,221)**	(2,169)
PNG – net deferred tax assets	**29,399**	3,267

Deferred tax assets have not been recognised in respect of the following items:		
Tax losses – PNG Operations	**53,079**	74,283
Property, plant and equipment – PNG Operations	**48,159**	192,433
Total	**101,238**	266,716
Tax effect @ 30%	**30,371**	80,015

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Accounting judgements and estimates

At each reporting date, the Group performs a review of the probable future taxable profit in each jurisdiction. The assessments are based on the latest life of mine plans relevant to each jurisdiction and the application of appropriate economic assumptions such as gold price and operating costs. Any resulting recognition of deferred tax assets is categorised by type (e.g. tax losses or temporary differences) and recognised based on which would be utilised first according to that particular jurisdiction's legislation.

At 30 June 2017 tax losses not recognised amounted to $15,924,000 (tax effected) relating to entities associated with Simberi operations in PNG and Australia. These tax losses have not been recognised as it is not deemed probable at the reporting date that future taxable profits will be available against which they can be utilised. Deferred tax balances recognised are based on taxable profit forecasts from current life of mine models.

3 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 year are detailed below.

	Consolidated	
	2017	2016
	$'000	$'000
Included within profit on disposal of asset		
Gain on sale of King of the Hills and Kailis	**-**	14,056
Impairment losses(1)	**(27,273)**	-
Total significant items – pre tax	**(27,273)**	14,056
Tax Effect		
Tax effect of pre-tax significant items	**8,182**	(3,839)
Tax effect of the impact of tax consolidation	**-**	28,547
PNG deferred tax asset recognised(2)	**26,775**	3,267
Provision for R&D tax credits(3)	**(10,478)**	-
Total significant items – post tax	**(2,794)**	42,031

(1) Impairment losses

Represents the impairment loss booked at 31 December 2016 in relation to the Simberi cash generating unit. Refer to note 7 for further information.

(2) PNG deferred tax asset recognised

Prior to 30 June 2016, there had been no deferred tax asset recognised in relation to the PNG jurisdiction, as it had been previously determined that it was not probable that the Simberi operation would generate future taxable profits. At 30 June 2016, following the successful completion of the turnaround in performance of the Simberi operation, a net deferred tax asset was recognised of $3,267,000. At 30 June 2017 a further $26,775,000 was recognised as a deferred tax asset based on the current life of mine plan.

(3) Provision for R&D tax credits

Provision arising from AusIndustry review of certain rereseach and development projects as discussed in Note 2.

4 Earnings per share

	Consolidated	
	2017	2016
	Cents	Cents
Basic earnings per share	**31.71**	34.21
Diluted earnings per share	**30.42**	32.70

Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2017	2016
	$'000	$'000
Basic and diluted earnings per share:		
Profit after tax for the year from operations	**157,572**	169,388

Weighted average number of shares

	Consolidated	
	2017	2016
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**496,990,112**	495,102,525
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	**517,994,473**	519,136,813

Performance rights

Performance rights granted to employees under the St Barbara Performance Rights Plan are considered to be potential ordinary shares and are included in the determination of diluted earnings per share to the extent to which they are dilutive. The rights are not included in the determination of basic earnings per share.

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.

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.

B. Mining operations

5 Property, plant and equipment

	Consolidated	
	2017	2016
	$'000	$'000
Land and buildings		
At the beginning of the year	**17,864**	18,100
Additions	**746**	1,529
Depreciation (average 3-15 years)	**(4,899)**	(1,937)
Disposals	**(507)**	-
Effects of movement in foreign exchange rates	**(126)**	172
At the end of the year	**13,078**	17,864
Plant and equipment		
At the beginning of the year	**144,584**	151,945
Additions	**9,557**	14,687
Disposals	**(342)**	(1,703)
Depreciation (average 3-10 years)	**(20,180)**	(22,180)
Asset impairment and write downs (1)	**(19,750)**	-
Effects of movement in foreign exchange rates	**(454)**	1,835
At the end of the year	**113,415**	144,584
Total	**126,493**	162,448

(1) Refer to Note 7

Security

As at 30 June 2017, plant and equipment with a carrying value of $547,000 (2016: $1,542,000) was pledged as security for finance leases.

Reconciliation of depreciation and amortisation to income statement

	Consolidated	
	2017	2016
	$'000	$'000
Depreciation		
Land and buildings	**(4,899)**	(1,937)
Plant and equipment	**(20,180)**	(22,180)
Amortisation (Note 7)		
Mine properties	**(52,061)**	(53,176)
Mineral rights	**(8,443)**	(3,622)
Total	**(85,583)**	(80,915)

Capital commitments

	Consolidated	
	2017	2016
	$'000	$'000
Gwalia Extension Project		
Purchase orders raised on contracted capital expenditure.	**5,316**	-

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.

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 revalued amounts, net of residual values, over their estimated useful lives.

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.

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

6 Deferred mining costs

	Consolidated	
	2017	2016
	$'000	$'000
Current		
Deferred operating mine development	**5,608**	4,446
Non-current		
Deferred operating mine development	**9,253**	11,271

Certain mining costs, principally those that relate to the stripping of waste and operating development in underground operations, which provide access so that future economically recoverable ore can be mined, are deferred in the balance sheet as deferred mining costs.

Underground operations

In underground operations mining occurs progressively on a level-by-level basis. Underground mining costs in the period are deferred based on the metres developed for a particular level. Previously deferred underground mining costs are amortised to the income statement based on the recoverable ounces produced over the life of mine recoverable ounces. Deferred costs are released to the income statement as ounces are produced from the related mining levels.

Open pit operations

Overburden and other mine waste materials are often removed during the initial development of a mine site in order to access the mineral deposit and deferred. This activity is referred to as deferred stripping.

Removal of waste material normally continues throughout the life of an open pit mine. This activity is referred to as production stripping.

The Group has no deferred waste costs associated with open pit operations at 30 June 2017.

Accounting judgements and estimates

The Group applies the units of production method for amortisation of underground operating development. The amortisation rates are determined on a level-by-level basis. In underground operations an estimate is made of the life of level average underground mining cost per recoverable ounce to expense underground costs in the income statement. Underground mining costs in the period are deferred based on the metres developed for a particular level.

Grade control drilling is deferred to the statement of financial position on a level-by-level basis. These amounts are released to the income statement as ounces are produced from the related mining levels.

7 Mine properties and mineral rights

	Consolidated	
	2017	2016
Mine properties	**$'000**	$'000
At beginning of the year	**179,884**	211,989
Direct expenditure	**32,036**	21,071
Amortisation for the year	**(52,061)**	(53,176)
At end of the year	**159,859**	179,884

Mine properties

Mine development expenditure 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, 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.

Accounting judgements and estimates

The Group 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.

	Consolidated	
	2017	2016
Mineral rights	**$'000**	$'000
At the beginning of the year	**19,785**	23,407
Amortisation	**(8,443)**	(3,622)
Impairment losses and write downs	**(3,782)**	-
At the end of the year	**7,560**	19,785

Mineral rights

Mineral rights comprise identifiable exploration and evaluation assets, mineral resources and ore reserves, which are acquired as part of a business combination or a joint venture acquisition, and are recognised at fair value at the date of acquisition. Mineral rights are attributable to specific areas of interest and are amortised when commercial production commences on a unit of production basis over the estimated economic reserves of the mine to which the rights relate.

The Group's mineral rights are associated with the Simberi operations and PNG interests. The assets impairment and write down recognised at 31 December 2016 included a write down of mineral rights.

7. Mine properties and mineral rights (continued)

Impairment of assets

All asset values are reviewed at each reporting date to determine whether there is objective evidence that there have been events or changes in circumstances that indicate that the carrying value may not be recoverable. 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 carrying amount of an asset or a cash generating unit ('CGU') exceeds the recoverable amount. Impairment losses are recognised in the income statement.

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular assets that may lead to impairment.

The identified CGUs of the Group are: Leonora and Simberi. The carrying value of the Leonora and Simberi CGUs are assessed using fair value less costs of disposal ('Fair Value').

Fair Value is determined as the net present value of the estimated future cash flows. Future cash flows are based on life-of-mine plans using market based commodity price and exchange assumptions for both Australian Dollar (AUD) and United States Dollar (USD) gold price, estimated quantities of ore reserves, operating costs and future capital expenditure. Costs to sell have been estimated by management.

Accounting judgements and estimates- Impairment

At 30 June 2017, the Group determined that there were no indicators of impairment for either the Leonora or Simberi cash operating units due to strong spot and forward gold prices at 30 June 2017 and increases in mine life at both operations. Although gold prices were stronger, and there was an extension to mine life at Simberi, taking all factors into consideration there were no indicators to reverse prior impairments booked.

At 31 December 2016, the Group determined that there were indicators of impairment for the Simberi CGU given its sensitivity to gold price and the weakening of the USD spot gold price from 30 June 2016 to 31 December 2016. The Group conducted the carrying value analysis of the Simberi CGU resulting in an impairment charge of $19,091,000 after tax at the 31 December 2016 half year reporting date, as summarised in the table below.

	Simberi $'000
Write down of assets	
Inventories	3,741
Impairments	
Property plant and equipment	19,750
Mineral rights	3,782
Total impairment and asset write downs	27,273
Tax effect	(8,182)
Total impairment and asset write downs after tax	19,091

Significant judgements and assumptions are required in making estimates of Fair Value. The CGU valuations are subject to variability in key assumptions including, but not limited to: long-term gold prices, currency exchange rates, discount rates, production, operating costs and future capital expenditure. An adverse change in one or more of the assumptions used to estimate Fair Value could result in a reduction in a CGU's recoverable value. This could lead to the recognition of impairment losses in the future. The inter-relationship of the significant accounting assumptions upon which estimated future cash flows are based, however, are such that it is impractical to disclose the extent of the possible effects of a change in a key assumption in isolation.

The assumptions used for the impairment of the Simberi CGU at 31 December 2016 were:

	2017 - 2022
Gold (Real US$ per ounce)	$1,098/oz - $1,335/oz
AUD:USD exchange rate	0.74
Post-tax real discount rate (%) – PNG	10.2

Commodity prices and exchange rates

Commodity prices and foreign exchange rates are estimated with reference to external market forecasts and updated at least annually. The rates applied to the valuation have regard to observable market data, including spot and forward values.

Discount rate

In determining the Fair Value of CGUs, the future cash flows are discounted using rates based on the Group's estimated real post- tax weighted average cost of capital for each functional currency used in the Group, with an additional premium applied having regard to the geographic location of the CGU.

Operating and capital costs

Life-of-mine operating and capital cost assumptions are based on the Group's latest life-of-mine plans. The projections do not include expected cost improvements reflecting the Group's objectives to maximise free cash flow, optimise and reduce activity, apply technology, improve capital and labour productivity.

Unmined resources and exploration values

Unmined resources are not included in a CGU's life-of-mine plan for a number of reasons, including the need to constantly re-assess the economic returns on and timing of specific production options in the current economic environment. In our determination of Fair Value, there are no unmined resources or exploration estimates included within the valuation.

Any variation in the key assumptions used to determine Fair Value will result in a change of the assessed fair value. If the variation in assumption had a negative impact on Fair Value it could indicate a requirement for additional impairment of non-current assets in the future.

It is estimated that changes in the key assumptions would have the following approximate impact on the Fair Value of the CGU in its functional currency that was subject to impairment as at 31 December 2016:

Decrease in Fair Value resulting from:	**Simberi $'000**
US$100/oz decrease in gold price	17,112
0.50% increase in discount rate	280

The sensitivities above assume that the specific assumption moves in isolation, while all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions is usually accompanied with a change in another assumption, which may have an offsetting impact (for example, a decline in the USD gold price could be accompanied by a decline in the AUD compared to the USD). Action is also usually taken to respond to adverse changes in economic assumptions that may mitigate the financial impact of any such change.

Notes to the Financial Report

Ore Reserves

The Group determines and reports Ore Reserves under the 2012 edition of the Australian Code for Reporting of Mineral Resources and Ore Reserves, 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.

Accounting judgements and estimates– Ore Reserves

Reserves are estimates of the amount of gold product that can be economically extracted from the Group'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.

Changes in reported reserves may affect the Group'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.
- The recognition of deferred tax assets.
- Depreciation and amortisation charged in the income statement may change where such charges are calculated using the units of production basis.
- Underground capital development deferred in the balance sheet or charged in the income statement may change due to a revision in the development amortisation rates.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

8 Exploration and evaluation

	Consolidated	
Non-current	**2017 $'000**	2016 $'000
At beginning of the year	**25,975**	16,969
Additions	**9,436**	9,006
Disposals	**-**	-
At end of the year	**35,411**	25,975

Commitments for exploration

	Consolidated	
	2017 $'000	2016 $'000
Exploration In order to maintain rights of tenure to mining tenements, the Group is committed to tenement rentals and minimum exploration expenditure in terms of the requirements of the relevant state government mining departments in Western Australia. This requirement will continue for future years with the amount dependent upon tenement holdings.	**4,779**	4,898

All exploration and evaluation expenditure incurred up to establishment of resources is expensed as incurred. From the point in time when reserves are established, or where there is a reasonable expectation for reserves, 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. Capitalised costs are deferred until commercial production commences from the relevant area of interest, at which time they are amortised on a unit of production basis.

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 expenditures 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. 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 commercially viable to pursue, accumulated costs in respect of that area are written off in the period the decision is made.

Accounting judgements and estimates

Exploration and evaluation expenditure is capitalised where reserves have been established for an area of interest, or where there is a reasonable expectation for reserves, 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 is likely. 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.

9 Rehabilitation provision

	Consolidated	
	2017	2016
	$'000	$'000
Current		
Provision for rehabilitation	**488**	493
Non-current		
Provision for rehabilitation	**27,750**	28,095
	28,238	28,588

Movements in Provisions		
Rehabilitation		
Balance at start of year	**28,588**	42,087
Unwinding of discount	**1,658**	1,707
Reduction in net provisions made during the year [1]	**-**	(14,008)
Effects of movements in the foreign exchange rate	**(2,008)**	(1,198)
Balance at end of year	**28,238**	28,588

(1) Represents the elimination of the King of the Hills rehabilitation provision ($14,008,000) on sale of the tenements to Saracen Metals Pty Ltd in October 2015.

Provisions, including those 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.

The Group has obligations to dismantle, remove, restore and rehabilitate certain items of property, plant and equipment and areas of disturbance during mining operations.

A provision is made for the estimated cost of rehabilitation and restoration of areas disturbed during mining operations up to reporting date but not yet rehabilitated. The provision also includes estimated costs of dismantling and removing the assets and restoring the site on which they are located. The provision is 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.

As 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), the rehabilitation liability is remeasured at each reporting date 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. A large proportion of the outflows are expected to occur at the time the respective mines are closed.

Accounting judgements and estimates

Mine rehabilitation provision requires significant estimates and assumptions as there are many transactions and other factors that will ultimately affect liability payable to rehabilitate the mine sites. Factors that will affect this liability include changes in regulations, prices fluctuations, changes in technology, changes in timing of cash flows which are based on life of mine plans and changes to discount rates. When these factors change or are known in the future, such difference will impact the mine rehabilitation provision in the period in which it becomes known.

C. Capital and risk

10 Working capital

Trade and other receivables

	Consolidated 2017 $'000	2016 $'000
Current		
Trade receivables	**3,676**	1,932
Other receivables	**2,119**	2,392
Restricted cash	**-**	118
Prepayments	**3,475**	3,844
	9,270	8,286
Non current		
Other Receivables	**-**	2,366
Total	**9,270**	10,652

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. Cash placed on deposit with a financial institution to secure bank guarantee facilities and restricted from use ('restricted cash') within the business is disclosed as part of trade and other receivables.

Collectability 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.

Amounts receivable from Director related entities
At 30 June 2017, there were no amounts receivable from Director related entities (2016: $Nil).

Inventories

	Consolidated 2017 $'000	2016 $'000
Consumables	**37,418**	42,148
Ore stockpiles	**1,467**	649
Gold in circuit	**10,594**	9,565
Bullion on hand	**5,861**	5,802
	55,340	58,164

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.

Accounting judgements and estimates
The calculation of net realisable value (NRV) for ore stockpiles, gold in circuit and bullion on hand involves significant judgement and estimate in relation to timing and cost of processing, gold prices, exchange rates and recoveries. A change in any of these assumptions will alter the estimated NRV and therefore impact the carrying value of inventories.

Trade and other payables

	Consolidated 2017 $'000	2016 $'000
Current		
Trade payables	**35,411**	39,346
Other payables	**1,069**	422
	36,480	39,768

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

11 Financial risk management

Financial risk management

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to withstand significant changes in cash flow under certain risk scenarios and still meet all financial commitments as and when they fall due. The Group continually monitors and tests its forecast financial position and has a detailed planning process that forms the basis of all cash flow forecasting.

The Group's normal business activities expose it to a variety of financial risk, being: market risk (especially gold price and foreign currency risk), credit risk and liquidity risk. The Group may use derivative instruments as appropriate to manage certain risk exposures.

Risk management in relation to financial risk is carried out by a centralised Group Treasury function in accordance with Board approved directives that underpin Group Treasury policies and processes. The Treasury Risk Management Committee assists and advises the Group Treasury function, Executive Leadership Team, Audit and Risk Committee and Board in discharging their responsibilities in relation to forecasted risk profiles, risk issues, risk mitigation strategies and compliance with Treasury policy. Group Treasury regularly reports the findings to the Treasury Risk Management Committee and the Board.

(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, cash flows and financial position. The Group may enter into derivatives, and also incur financial liabilities, in order to manage market risks. All such transactions are carried out within directives and policies approved by the Board.

(b) Currency risk

The Group is exposed to currency risk on gold sales, purchases and borrowings that are denominated in a currency other than the Company's presentation currency of Australian dollars. The currencies in which transactions primarily are denominated are Australian Dollars (AUD), US Dollars (USD) and Papua New Guinea Kina (PGK).

The exchange rates at the year end were as follows:

Closing rate as at	AUD/USD	AUD/PGK
30 June 2017	0.7695	2.3788
30 June 2016	0.7452	2.3216

	2017		2016	
Exposure to currency	**USD $'000**	**PGK $'000**	**USD $'000**	**PGK $'000**
Cash and cash equivalents	8,606	1,637	58,625	4,747
Trade receivables	356	297	216	288
Trade payables	(4,095)	(7,805)	(6,054)	(5,415)
Interest bearing liabilities	(77)	-	(168,102)	-
Net exposure	4,790	(5,871)	(115,315)	(380)

Sensitivity analysis:

The following table details the Group's sensitivity to a 10% movement (i.e. increase or decrease) in the Australian dollar against the US dollar and PNG Kina at the reporting date, with all other variables held constant. The 10% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding five year period:

	Impact on Profit After Tax (Increase profit)/decrease profit	
	2017 $'000	**2016 $'000**
AUD/USD +10%	(487)	11,522
AUD/USD -10%	487	(11,522)

PGK against the AUD has been reviewed and considered an immaterial currency risk.

Significant assumptions used in the foreign currency exposure sensitivity analysis above include:

- Reasonably possible movements in foreign exchange rates.
- The translation of the net assets in subsidiaries with a functional currency other than the Australian dollar has not been included in the sensitivity analysis as part of the equity movement.
- The net exposure at the reporting date is representative of what the Group is expected to be exposed to in the next 12 months.
- The sensitivity analysis only includes the impact on the balance of financial assets and financial liabilities at the reporting date.

(c) Interest rate risk exposures

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 Treasury manages the interest rate exposures according to the Board approved Treasury policy. Any decision to hedge interest rate risk is assessed in relation to the overall Group exposure, the prevailing interest rate market, and any funding counterparty requirements. As at 30 June 2017, interest rates on interest bearing liabilities were fixed.

The Group'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 applying variable interest rates, as the Group intends to hold fixed rate assets and liabilities to maturity.

11 Financial risk management (continued)

(d) Capital management

The Group's total capital is defined as total shareholders' funds plus net debt. The Group aims to maintain an optimal capital structure to reduce the cost of capital and maximise shareholder returns. The Group has a capital management plan that is reviewed by the Board on a regular basis.

Consolidated capital	2017 $'000	2016 $'000
Total shareholders' funds	**461,127**	300,614
Borrowings	**547**	226,318
Cash and cash equivalents[(1)]	**(547)**	(136,689)
Total capital	**461,127**	390,243

(1) Cash and cash equivalents are included to the extent that the net debt position is nil.

The Group does not have a target net debt/equity ratio. There were no changes in the Group's approach to capital management during the year, with the focus on the reduction in borrowings using surplus cash flows.

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

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 and loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Investments and other financial assets are recognised initially at fair value plus, for assets not at fair value through profit and loss, any directly attributable transaction costs.

(e) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, with a maximum exposure equal to the carrying amount of the financial assets as recorded in the financial statements. 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 and derivatives.

Credit risks related to receivables

The Group's most significant customer accounts for $2,586,000 of the trade receivables carrying amount at 30 June 2017 (2016: $1,714,000), representing receivables owing from gold sales. Based on historic rates of default, the Group believes that no impairment has occurred with respect to trade receivables, and none of the trade receivables at 30 June 2017 were past due.

Credit risks related to cash deposits and derivatives

Credit risk from balances with banks, financial institutions and derivative counterparties is managed by the centralised Group Treasury function in accordance with the Board approved policy. Investments of surplus funds are only made with approved counterparties with a minimum Standard & Poor's credit rating, and there is a financial limit on funds placed with any single counterparty.

Derivative transactions are only made with approved counterparties in accordance with the Board approved Treasury Policy. Derivative transactions do not cover a major proportion of total Group production, with maturities occurring over a relatively short period of time.

(f) Cash flow hedges

The Group's revenue is exposed to spot gold price risk. Based upon sensitivity analysis, a movement in the average spot price of gold during the year of $100 per ounce and all other factors remaining constant, would have changed post tax profit by $26,612,000.

In accordance with the Group's financial risk management policies, the Group has managed commodity price risk from time to time using gold forward contracts as described below.

In April 2017, the Company entered into gold forward contracts for 50,000 ounces of gold at $1,725 per ounce with maturity over a twelve-month period from July 2017 to June 2018.

In June 2017, the Company entered into further gold forward contracts for 50,000 ounces of gold at $1,730 per ounce with maturity over a twelve-month period from July 2017 to June 2018. The forward contracts protect Simberi operating margins.

As physical delivery of gold is used to close out forward contracts, the standard provides an own use exemption under which the Group is not subject to the requirements of AASB 139 for these contracts.

The maturity profile of the gold forward contracts remaining as at 30 June 2017 is provided in the table below.

Strike Price	Total ounces	6 months or less ounces	6 – 12 months ounces	1 – 2 years ounces	2 – 5 years ounces
$1,725/oz	50,000	24,000	26,000	-	-
$1,730/oz	50,000	24,000	26,000	-	-

Cash flow hedge sensitivity

The relationship between currencies, spot gold price and volatilities is complex and changes in the spot gold price can influence volatility, and vice versa.

At 30 June 2017, the Group did not hold any gold options to hedge against movements in the gold price, however this is reviewed by the Board as part of the risk management framework.

11 Financial risk management (continued)

(g) Fair value estimation

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

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.

Fixed Interest Maturing in 2017 **Financial assets**	**Floating Interest rate $'000**	**1 year or less $'000**	**Over 1 to 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**	**Fair value**
Cash and cash equivalents	**40,909**	**120,000**	**-**	**-**	**160,909**	**160,909**
Receivables	**-**	**-**	**-**	**5,795**	**5,795**	**5,795**
Available for sale financial assets(1)	**-**	**-**	**-**	**4,569**	**4,569**	**4,569**
	40,909	**120,000**	**-**	**10,364**	**171,273**	**171,273**
Weighted average interest rate	**1.06%**	**2.48%**	**n/a**	**n/a**		
Financial liabilities						
Trade and other payables	**-**	**-**	**-**	**36,480**	**36,480**	**36,480**
Finance lease liabilities	**-**	**507**	**40**	**-**	**547**	**547**
	-	**507**	**40**	**36,480**	**37,027**	**37,027**
Weighted average interest rate	**n/a**	**6.49%**	**8.00%**	**n/a**		
Net financial assets/(liabilities)	**40,909**	**119,493**	**(40)**	**(26,116)**	**134,246**	**134,246**

Fixed Interest Maturing in 2016 Financial assets						
Cash and cash equivalents	101,689	35,000	-	-	136,689	136,689
Restricted cash and cash equivalents	-	118	-	-	118	118
Receivables	-	-	-	6,690	6,690	6,690
Available for sale financial assets	-	-	-	56	56	56
	101,689	35,118	-	6,746	143,553	143,553
Weighted average interest rate	0.63%	2.84%	n/a	n/a		
Financial liabilities						
Trade and other payables	-	-	-	39,768	39,768	39,768
Finance lease liabilities	-	992	550	-	1,542	1,542
Loans from other entities	-	2,209	-	-	2,209	2,209
Senior secured notes(2)	-	-	222,567	-	222,567	228,227
	-	3,201	223,117	39,768	266,086	271,746
Weighted average interest rate	n/a	4.99%	8.87%	n/a		
Net financial assets/(liabilities)	101,689	31,917	(223,117)	(33,022)	(122,533)	(128,193)

(1) Fair value is determined based on Level 1 inputs as the balance represents investments in listed securities.

(2) Senior secured notes amount excludes $2,551,000 of capitalised transaction cost and $287,000 discount on notes in 2016.

11 Financial risk management (continued)

Notes to the Financial Report

(h) 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. During the financial year the primary objective was to fully repay the senior secured notes and to maintain sufficient cash to provide financial flexibility.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, and matching maturity profiles of financial assets and liabilities. The Group undertakes sensitivity analysis to stress test the operational cash flows, which are matched with capital commitments to assess liquidity requirements. The capital management plan provides the analysis and actions required in detail for the next twelve months and longer term. The maturity of non-current liabilities is monitored within the cash management plan.

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, which includes interest obligations over the term of the facilities.

Maturity of financial liabilities – 2017	**Less than 12 months $'000**	**Between 1 and 5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount $'000**
Finance lease liabilities	**521**	**41**	**-**	**562**	**547**
Trade and other payables	**36,480**	**-**	**-**	**36,480**	**36,480**
	37,001	**41**	**-**	**37,042**	**37,027**
Maturity of financial liabilities – 2016					
Senior Secured Notes(1)	20,004	245,410	-	265,414	222,567
Premium insurance funding	2,297	-	-	2,297	2,209
Finance lease liabilities	1,059	565	-	1,624	1,542
Trade and other payables	39,768	-	-	39,768	39,768
	63,128	245,975	-	309,103	266,086

(1) Excluding amortisation of capitalised transaction costs and discount.

12 Net debt

Cash and cash equivalents

	Consolidated	
	2017	2016
	$'000	$'000
Cash at bank and on hand	**40,909**	101,689
Term deposits	**120,000**	35,000
	160,909	136,689

Cash and cash equivalents includes cash on hand, deposits and cash at call held at with financial institutions, other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash at bank and on hand

Cash at bank at 30 June 2017 invested "at call" was earning interest at an average rate of 1.06% per annum (2016: 0.63% per annum).

Term Deposits

The deposits at 30 June 2017 were earning interest at rates of between 2.22% and 2.80% per annum (2016: rates of between 1.83% and 3.00% per annum). At 30 June 2017, the average time to maturity was 46 days (2016: 31 days) from balance date.

Interest bearing liabilities

	Consolidated	
	2017	2016
	$'000	$'000
Current		
Secured		
Lease liabilities	**507**	992
Insurance premium funding	**-**	2,209
Total current	**507**	3,201
Non-current		
Secured		
Lease liabilities	**40**	550
Senior secured notes (net of transaction costs)	**-**	222,567
Total non-current	**40**	223,117
Total interest bearing liabilities	**547**	226,318

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

Senior secured notes

On 27 March 2013, the Group settled an offering of US$250 million senior secured notes issued in the United States Rule 144A bond market and to certain persons outside the United States with a maturity of 15 April 2018. The facility was fully repaid on 15 March 2017.

Profit before income tax includes the following specific expenses:

	Consolidated	
	2017	2016
	$'000	$'000
Finance Costs		
Interest paid/payable	**7,433**	28,383
Borrowing costs	**10,859**	5,434
Finance lease interest	**11**	225
Provisions: unwinding of discount	**1,658**	1,707
	19,961	35,749
Rental expense relating to operating leases		
Lease payments	**598**	1,253

12 Net debt (continued)

Leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at inception of the lease at the lower of the fair value of the leased property and the present value of the minimum future lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities. 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 asset's useful life, or the lease term if shorter where there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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

Commitments for leases

The finance lease commitments displayed in the table below relate to vehicles and plant and equipment, are based on the cost of the assets and are payable over a period of up to 48 months at which point ownership of the assets transfers to the Group.

	Consolidated	
	2017	2016
Finance Lease Commitments	**$'000**	$'000
Payable not later than one year	**521**	1,059
Payable between one year and five years	**41**	565
	562	1,624
Future finance charges	**(15)**	(82)
Total lease liabilities	**547**	1,542
Current	**507**	992
Non-current	**40**	550
	547	1,542
Analysis of Non-Cancellable Operating Lease Commitments		
Payable not later than one year	**405**	396
Payable between one year and five years	**846**	899
	1,251	1,295

Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities

	Consolidated	
	2017	2016
	$'000	$'000
Profit after tax for the year	**157,572**	169,388
Depreciation and amortisation	**85,583**	80,915
Asset impairments and write downs	**27,273**	-
Income tax expense	**32,134**	14,014
Unwinding of rehabilitation provision	**1,658**	1,707
Net finance costs amortised	**2,842**	5,289
Unrealised/realised foreign exchange gain	**3,037**	142
Equity settled share-based payments	**2,045**	928
Change in operating assets and liabilities		
Receivables and prepayments	**(1,436)**	(728)
Inventories	**(916)**	(5,892)
Other assets	**(1,145)**	(1,019)
Trade creditors and payables	**(3,288)**	(3,127)
Provisions and other liabilities	**(2,133)**	(18,829)
Net cash flows from operating activities	**303,226**	242,788

13 Contributed equity

Details	**Number of shares**	**$'000**
Opening balance 1 July 2016	495,102,525	887,216
Vested performance rights	2,228,570	38
Closing balance 30 June 2017	497,331,095	887,254

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and performance rights are recognised as a deduction from equity, net of any tax effects.

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. Business portfolio

14 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2017, the parent company of the Group was St Barbara Limited.

Financial statements

	Parent Entity	
	2017 $'000	2016 $'000
Results of the parent entity		
Profit after tax for the year	**134,430**	65,702
Other comprehensive loss	**(147)**	(2,821)
Total comprehensive income for the year	**134,283**	62,881

Other comprehensive income is set out in the Consolidated Statement of Comprehensive Income.

	Parent Entity	
Financial position of the parent entity at year end	**2017 $'000**	2016 $'000
Current assets	**204,213**	173,591
Total assets	**423,046**	442,357
Current liabilities	**67,051**	38,548
Total liabilities	**122,803**	276,582
Total equity of the parent entity comprising:		
Share capital	**887,254**	887,216
Reserves	**2,987**	2,840
Accumulated losses	**(589,998)**	(724,281)
Total equity	**300,243**	165,775

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. It is the Group's policy that transactions are at arm's length.

During the year the Company charged management fees of $4,893,000 (2016: $4,717,000), operating lease rents of $375,000 (2016: $969,000), and interest of $14,182,000 (2016: $25,889,000) to entities in the wholly-owned group.

Net loans payable to the Company amount to a net receivable of $204,781,000 (2016: net receivable $242,446,000).

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

15 Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy on consolidation.

All subsidiaries are 100% owned at 30 June 2017 and 30 June 2016 and are incorporated in Australia unless otherwise stated.

	Country of Incorporation
Parent entity	
St Barbara Limited	Australia
Subsidiaries of St Barbara Limited	
Allied Gold Mining Ltd	UK
Subsidiaries of Allied Gold Mining Ltd	
Allied Gold Pty Ltd(1)	Australia
Subsidiaries of Allied Gold Pty Ltd	
Advance R&D Pty Ltd	Australia
AGL (ASG) Pty Ltd	Australia
AGL (SGC) Pty Ltd	Australia
Allied Gold Finance Pty Ltd	Australia
Allied Gold Services Pty Ltd	Australia
Allied Tabar Exploration Pty Ltd	Australia
Aretrend Pty Ltd	Australia
Nord Pacific Limited	Canada
Subsidiaries of AGL (SGC) Pty Ltd	
Subsidiaries of Allied Tabar Exploration Pty Ltd	
Tabar Exploration Company Ltd	PNG
Subsidiaries of Nord Pacific Limited	
Nord Australex Nominees (PNG) Ltd	PNG
Simberi Gold Company Limited	PNG

(1) Converted from Allied Gold Ltd to Allied Gold Pty Ltd on 1 August 2014.

E. Remunerating our people

16 Employee benefit expenses and provisions

Expenses

	Consolidated 2017 $'000	2016 $'000
Employee related expenses		
Wages and salaries	**69,875**	62,396
Contributions to defined contribution superannuation funds	**5,288**	4,904
Equity settled share-based payments	**2,045**	928
	77,208	68,228

Wages and salaries, and annual leave

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

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.

Executive incentives

Senior executives may be eligible for short term incentive payments ("STI") 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 STIs in the reporting period during which the service is provided by the employee.

Directors and key management personnel

	Consolidated 2017 $'000	2016 $'000
Short term employee benefits	**2,376**	2,404
Post-employment benefits	**39**	39
Leave	**110**	103
Share-based payments	**781**	512
	3,306	3,058

Disclosures relating to Directors and key management personnel are included within the Remuneration Report, with the exception of the table opposite.

Provisions

	Consolidated 2017 $'000	2016 $'000
Current		
Employee benefits – annual leave	**4,063**	3,486
Employee benefits – long service leave	**3,014**	2,392
Other provisions	**5,077**	4,641
	12,154	10,519
Non-current		
Employee benefits - long service leave	**2,010**	1,859
Other provisions	**2,202**	2,802
	4,212	4,661

Employee related and other provisions 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.

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.

Wages and salaries, and annual leave

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

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 with reference to market yields on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

17 Share-based payments

Employee Performance Rights

During the year ended 30 June 2017, there was no amount transferred as a gain for performance rights that expired during the year (2016: $Nil). Accounting standards preclude the reversal through the income statement for amounts, which have been booked in the share based payments reserve for performance rights and satisfy service conditions but do not vest due to market conditions.

Set out below are summaries of performance rights granted to employees under the St Barbara Limited Performance Rights Plan approved by shareholders:

Consolidated and parent entity 2017								
Grant Date	**Expiry Date**	**Issue price**	**Balance at start of the year Number**	**Granted during the year Number**	**Vested during the year Number**	**Expired during the year Number**	**Balance at end of the year Number**	**Exercisable at end of the year Number**
							-	-
5 Dec 2014	30 Jun 2017	$0.12	15,953,028	-	(15,953,028)	-	-	-
10 Dec 2015	30 Jun 2018	$0.51	3,974,617	-	-	-	3,974,617	-
21 Oct 2016	30 Jun 2019	$2.92	-	837,568	-	-	837,568	-
12 Dec 2016	30 Jun 2019	$2.92	-	196,708	-	-	196,708	-
31 Mar 2017	30 Jun 2019	$2.92	-	42,440	-	-	42,440	-
Total			19,927,645	1,076,716	(15,953,028)	-	5,051,333	-
Consolidated and parent entity 2016								
29 Nov 2013	30 Jun 2016	$0.49	2,908,469	-	(1,809,209)	(1,099,260)	-	-
5 Dec 2014	30 Jun 2017	$0.12	17,151,202	-	(419,361)	(778,813)	15,953,028	-
10 Dec 2015	30 Jun 2018	$0.51	-	3,974,617	-	-	3,974,617	-
Total			20,059,671	3,974,617	(2,228,570)	(1,878,073)	19,927,645	-

The weighted average remaining contractual life of performance rights outstanding at the end of the year was 1.2 years (2016: 1.3 years). Conditions associated with rights granted during the year ended 30 June 2017 included:

i. Rights are granted for no consideration. The vesting of rights granted in FY2017 is subject to a continuing service condition as at the vesting date, Return on Capital Employed over a three year period, and relative Total Shareholder Return over a three year period measured against a peer group.

ii. Performance rights do not have an exercise price.

iii. Any performance right which does not vest will lapse.

iv. Grant date varies with each issue.

The fair value of rights issued was adjusted according to estimates of the likelihood that the market conditions will be met. A Monte-Carlo simulation was performed using data at grant date to assist management in estimating the probability of the rights vesting.

As a result of the Monte-Carlo simulation results, the assessed fair value of rights issued during the year was $2,846,000. This outcome was based on the likelihood of the market condition being met as at the date the rights vest.

Expenses arising from share based payment transactions

Total expenses arising from equity settled share based payment transactions recognised during the year as part of the employee benefit expenses were as follows:

	Consolidated	
	2017 $	**2016 $**
Performance rights issued under performance rights plan	**2,045,000**	928,000

Accounting judgements and estimates

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

Where the vesting of share based payments contain market conditions, in estimating the fair value of the equity instruments issued, the Group assesses the probability of the market conditions being met, and therefore the probability of fair value vesting, by undertaking a Monte-Carlo simulation. The simulation performs sensitivity analysis on key assumptions in order to determine potential compliance with the market performance conditions. The simulation specifically performs sensitivity analysis on share price volatility based on the historical volatility for St Barbara Limited and the peer group companies. The results of the Monte-Carlo simulation are not intended to represent actual results, but are used as an estimation tool by management to assist in arriving at the judgment of probability.

F. Other disclosures

18 Remuneration of auditors

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

	Consolidated	
	2017 **$**	2016(1) $
Audit and review of financial reports	**295,000**	358,500
Non-audit services		
Tax advisory and assurance services(2)	**211,196**	-
Tax advice in relation to AusIndustry review(2)	**337,772**	-
Accounting advice and other assurance related services	**-**	95,000
Total remuneration for audit and non audit related services	**843,968**	453,500

(1) KPMG were the appointed auditors for the Group for the year ended 30 June 2016
(2) $409,772 of the total tax advisory fees related to non-recurring services

19 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 or the Group's operations, the results of those operations or the state of affairs, except as described in this note:

Subsequent to year end, the directors have declared a fully franked final dividend in relation to the 2017 financial year of 6 cents per ordinary share, to be paid on 28 September 2017. A provision for this dividend has not been recognised in the 30 June 2017 financial statements.

20 Contingencies

During July 2014, the Company announced that by operation of its internal reporting mechanisms, the provision of benefits to a foreign public official that may violate its Anti-Bribery and Anti-Corruption Policy or applicable laws in Australia or in foreign jurisdictions were identified. The amount of the benefits provided to the foreign public official was not material to the Company. The Company self-reported the matter to relevant authorities, including the Australian Federal Police, and the matter is being assessed and investigated. To date, there has been no action taken against the Company, consequently, the range of potential penalties, if any, cannot be reliably estimated. Should there be any prosecution, potential penalties are governed by laws in various jurisdictions including *Criminal Code 1995 (Cth)* in Australia and/or the UK *Bribery Act*.

As a result of the Australian Taxation Office's (ATO) program of routine and regular tax reviews and audits, the Group anticipates that ATO reviews and audits may occur in the future. The ultimate outcome of any future reviews and audits cannot be determined with an acceptable degree of reliability at this time. Nevertheless, the Group believes it is making adequate provision for its tax liabilities, including amounts shown as deferred tax liabilities, and takes reasonable steps to address potentially contentious issues with the ATO.

21 Basis of preparation

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items:

- Derivative financial instruments are measured at fair value;
- Share based payment arrangements are measured at fair value;
- Available for sale assets are measured at fair value;
- Rehabilitation provision is measured at net present value;
- Long service leave provision is measured at net present value.

Principles of consolidation - Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of St Barbara Limited as at 30 June 2017 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, and as a result has an exposure or rights to variable returns, 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.

Foreign currency translation

Both the functional and presentation currency of St Barbara Limited and its Australian controlled entities are Australian dollars (AUD). The functional currency of the Group's foreign operations is US dollars (USD).

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.

The assets and liabilities of controlled entities incorporated overseas with functional currencies other than Australian dollars are translated into the presentation currency of St Barbara Limited (Australian dollars) at the year-end exchange rate and the revenue and expenses are translated at the rates applicable at the transaction date. Exchange differences arising on translation are taken directly to the foreign currency translation reserve in equity.

21 Basis of preparation (continued)

Critical accounting judgement and estimates

The preparation of financial statements in conformity with AASB and IFRS 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.

22 Accounting standards

New Standards adopted

The accounting policies applied by the Group in this 30 June 2017 consolidated financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2016. These accounting policies are consistent with Australian Accounting Standards.

Accounting policies are applied consistently by each entity in the Group.

New accounting standards not yet adopted

Reference	Application of Standard
AASB 9 Financial Instruments (December 2014) and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018
AASB 16 Leases	1 January 2019
AASB 15 Revenue from Contracts with Customers which supersedes AASB 111 Construction contracts, AASB 118 Revenue, interpretation 12 Customer loyalty programmes, Interpretation 15 Agreements for the construction of Real Estate, Interpretation 18 Transfer of Assets from Customers, interpretation 131 Revenue-Barter transactions involving Advertising services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry.	1 January 2018
AASB 2014-10 (2015-101) Amendments to Australian Accounting Standards-Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2018
AASB 2016-1 Amendments to Australian Accounting Standards –Recognition of Deferred Tax Asset for Unrealised Losses.	1 January 2017
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017

After a review of the above accounting standards the company has assessed that there is unlikely to be a material impact on the recognition, measurement and disclosure of the financial report.

Directors' declaration

1 In the opinion of the directors of St Barbara Limited (the Company):

(a) the consolidated financial statements and notes that are contained in pages 38 to 67 and the remuneration report in the Directors' report, set out on pages 15 to 34, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2017.

3 The directors draw attention to page 38 of the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Bob Vassie

Managing Director and CEO

Melbourne
23 August 2017

pwc

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

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of St Barbara Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited:

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended;
- notes to the consolidated financial statements; and
- the Directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

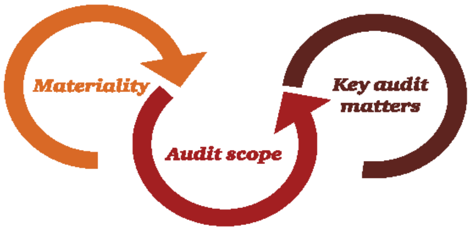
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used an overall Group materiality of $12.2 million, which represents approximately 5% of the Group's profit before tax adjusted for impairment charges. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • This benchmark was considered appropriate, because, in our view, profit before tax is the metric against which the performance of the Group is most commonly measured. We adjusted for impairment as it was an infrequently occurring item impacting profit this year. • We selected 5% based on our professional judgement, noting that it is within the range of commonly accepted profit related benchmarks.	• The Group operates mines in Western Australia and Papua New Guinea (PNG) and has a centralised corporate accounting function based in Melbourne. Our audit work is performed predominantly in Melbourne. The audit engagement team also conducted site visits to the Gwalia and Simberi mines. • Our audit focused on areas where the Group made subjective judgements, for example significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Impairment assessment for the Simberi Cash Generating Unit (CGU); – Accounting for the cost of rehabilitation; – Recognition and measurement of deferred tax assets, and uncertain tax positions. • The above matters are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment for the Simberi Cash Generating Unit (CGU) *Refer to note 7 in the financial report* The consideration of whether an impairment was required for the Simberi CGU was a key audit matter because the carrying value is material, there is a prior history of impairments and the remaining mine life is short. In addition, this consideration involves judgement and estimation over the future cash flows to be generated by the Simberi CGU. When impairment indicators are identified, the recoverable amount is estimated by the Group using a discounted cash flow model (the valuation model) based on the Board approved Life of Mine plan. The significant assumptions impacting the forecast cash flows include the gold price and production forecasts. The impairment charge of $27 million for the year ended 30 June 2017, recorded in the consolidated income statement at the 31 December 2016 half year, reflected the decline in the short term price of gold, which particularly impacted the Simberi CGU given the significant forecast cash inflows from producing gold from existing reserves within a limited timeframe. At 30 June 2017, the Group did not identify any indicators of further impairment or reversal of impairment.	We evaluated the Group's cash flow forecasts at 31 December 2016 for the Simberi CGU and the process by which they were developed. We checked that the forecast used in the valuation model was consistent with the Board approved Life of Mine plan and that the key assumptions were subject to oversight from the Directors. We assessed the assumptions and methodology used for the impairment test, in particular, those assumptions relating to the gold prices and production forecasts. To do this we: • evaluated the underlying cash flow assumptions with reference to current year results, expected production levels and grades and considered external industry information and market data for economic assumptions • checked the calculations in the valuation model for mathematical accuracy. At 30 June 2017, we evaluated the Group's assessment for potential impairment indicators by assessing changes in the key assumptions since the impairment test was completed and did not identify any additional indicators of further impairment. We also considered whether there were any indicators of a potential reversal of impairment, and did not identify any.
Accounting for the cost of rehabilitation *Refer to note 9 in the financial report* The Company is required under the laws and regulations of Western Australia and PNG to rehabilitate the Gwalia and Simberi operations respectively at the completion of mining activities. Calculating the final rehabilitation obligations requires significant estimation and judgement by the Group. Assumptions are required to be made in respect of methods of rehabilitation, costs and timing, as well as the potential for changes in regulatory requirements, technology and market conditions. The calculation of the provision requires significant input from specialists and experts, both within and external to the Company. Given the significance of this balance and the factors outlined above, the provision for rehabilitation was a key audit matter.	We obtained the Group's calculation of the rehabilitation obligations. We checked the timing of the cash flows in the models were consistent with the life of mine plans. We checked significant assumptions made within the models by comparing these to the Group's internal or external experts' estimate of costs, and for a sample we compared these to current third party cost proposals obtained by the Group. We checked that the discount rates used were materially consistent with that generally used in the industry to discount liabilities of this nature.

Key audit matter	How our audit addressed the key audit matter
Recognition and measurement of deferred tax assets, and uncertain tax positions *Refer to note 2 in the financial report* The Group is required to appropriately apply the taxation laws of both Australia and PNG in determining the Group's overall tax position. The recognition and measurement of deferred tax assets, and uncertain tax positions was a key audit matter because of the complexity associated with different tax jurisdictions, and judgements requiring consideration when preparing the Group's tax calculations. In particular, we note that there are: • Deferred tax assets recorded by the Group, which include tax credits in PNG ($29 million), and these require judgement in assessing whether there will be sufficient taxable profits in future years for these assets to be realised • Taxation matters where the Group takes into account the impact of uncertain tax positions including the AusIndustry review of research and development projects. This assessment relies on estimates and assumptions and may involve a series of judgements about future events.	We assessed the Group's ability to utilise the deferred tax assets related to PNG tax credits by: • obtaining calculations of forecast taxable income and checking the calculations for mathematical accuracy • evaluating the calculations with reference to current year results and expected production levels and grades, in the context of the remaining life of the Simberi mine • evaluating the Group's continuing rights to access the benefits of these tax credits in PNG. In relation to uncertain tax positions, we read the Group's evaluation of its positions and correspondence with relevant tax authorities. As part of this we evaluated the provision recognised with respect to the AusIndustry review currently in progress.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Ore Reserves and Mineral Resources Statement and Shareholder Information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 15 to 34 of the Directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of St Barbara Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

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 Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

John O'Donoghue
Partner

Melbourne
23 August 2017

Corporate Directory

BOARD OF DIRECTORS

T C Netscher	Non-Executive Chairman
R S Vassie	Managing Director & CEO
K J Gleeson	Non-Executive Director
D E J Moroney	Non-Executive Director

COMPANY SECRETARY
R R Cole

REGISTERED OFFICE
Level 10, 432 St Kilda Road
Melbourne Victoria 3004 Australia

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

STOCK EXCHANGE LISTING
Shares in St Barbara Limited are quoted on the Australian Securities Exchange
Ticker Symbol: SBM

SHARE REGISTRY
Computershare Investment Services Pty Ltd
GPO Box 2975
Melbourne Victoria 3001 Australia

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

AUDITOR
PricewaterhouseCoopers
2 Riverside Quay
Southbank Victoria 3006 Australia