



## 2016 Annual Report and Notice of Annual General Meeting

The 2016 Annual General Meeting of St Barbara Limited will be held at 11:00 am Melbourne time (UTC + 11 hours) on Wednesday 30 November 2016, in the Royce Conference Room, Royce Hotel, 379 St Kilda Road, Melbourne.

The 2016 Annual Report, Notice of Annual General Meeting and sample Proxy Form are attached, as distributed to shareholders today.

A live audio webcast of the Annual General Meeting will be available at St Barbara's website at [www.stbarbara.com.au/investors/webcast](http://www.stbarbara.com.au/investors/webcast), or by [clicking here](#). The audio webcast is 'listen only' and does not enable questions. The audio webcast will subsequently be made available on the website.

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**St Barbara**  
LIMITED

**Annual Report 2016**

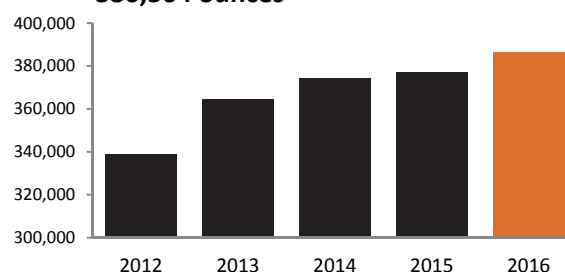
## St Barbara at a glance

- > St Barbara was established in 1969 and is an ASX-200 listed gold mining company (ASX:SBM).
- > St Barbara has two mining operations:
  - > **Leonora** Operations in Western Australia
  - > **Simberi** Operations in Papua New Guinea.
- > **Leonora** Operations comprise the **Gwalia** underground mine and associated processing plant. The **Gwalia** underground mine is St Barbara's cornerstone asset. The **Gwalia** deposit has an Ore Reserve grade of 8.3 g/t Au, a mine plan to FY 2024, and remains open at depth. **Gwalia** compares favourably against other ASX listed gold mines on grade, reserve size, mine life, annual production and cost per ounce.
- > **Simberi** Operations has an open pit mine and associated processing plant. Simberi has operated at or above its target production run-rate of 100,000 ounces per year since March 2015. Oxide and sulphide Ore Reserves provide the potential for Simberi to become a long-term cash generating asset. Simberi is under strategic review at the date of this report.
- > At 30 June 2016, St Barbara had **Mineral Resources** of 9.08 million ounces of contained gold, including **Ore Reserves** of 4.01 million ounces of contained gold.
- > **Growth initiatives** planned for FY17 include:
  - > further deep drilling at **Gwalia** targeting a potential northern extension and below the existing Ore Reserve (which remains open at depth) with the objective of increasing Resource and Reserve, in conjunction with a ventilation shaft feasibility study
  - > exploration utilising new seismic geophysics at Gwalia and the Leonora region
  - > in parallel with the Simberi strategic review, prospective sulphide-oxide and copper-gold targets to be drilled on Tatau Island, with drilling for oxide-sulphide targets on **Simberi** Island
  - > drilling at **Pinjin** in Western Australia
  - > systematic evaluation of sensible, value accretive inorganic growth opportunities.
- > St Barbara's primary safety measure, total recordable injury frequency rate, was a record low 2.1 for the year to June 2016, an outstanding result for a mixed jurisdiction combination of underground and open pit operations.

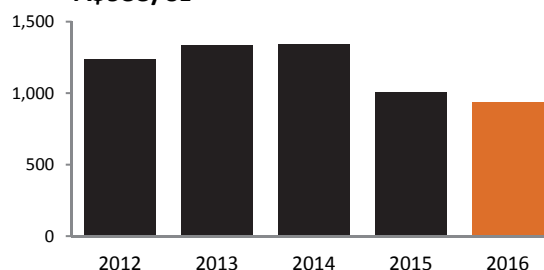
## FY 16 at a glance

- > Record safety
- > Record production
- > Record profit
- > Record cash flow
- > Guidance beaten for three key metrics of:
  - > gold production,
  - > all-in sustaining cost per ounce, and
  - > capital expenditure.

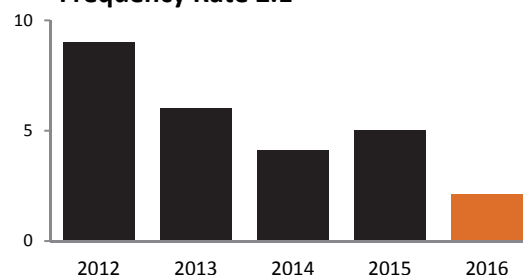
### Record Gold Production 386,564 ounces



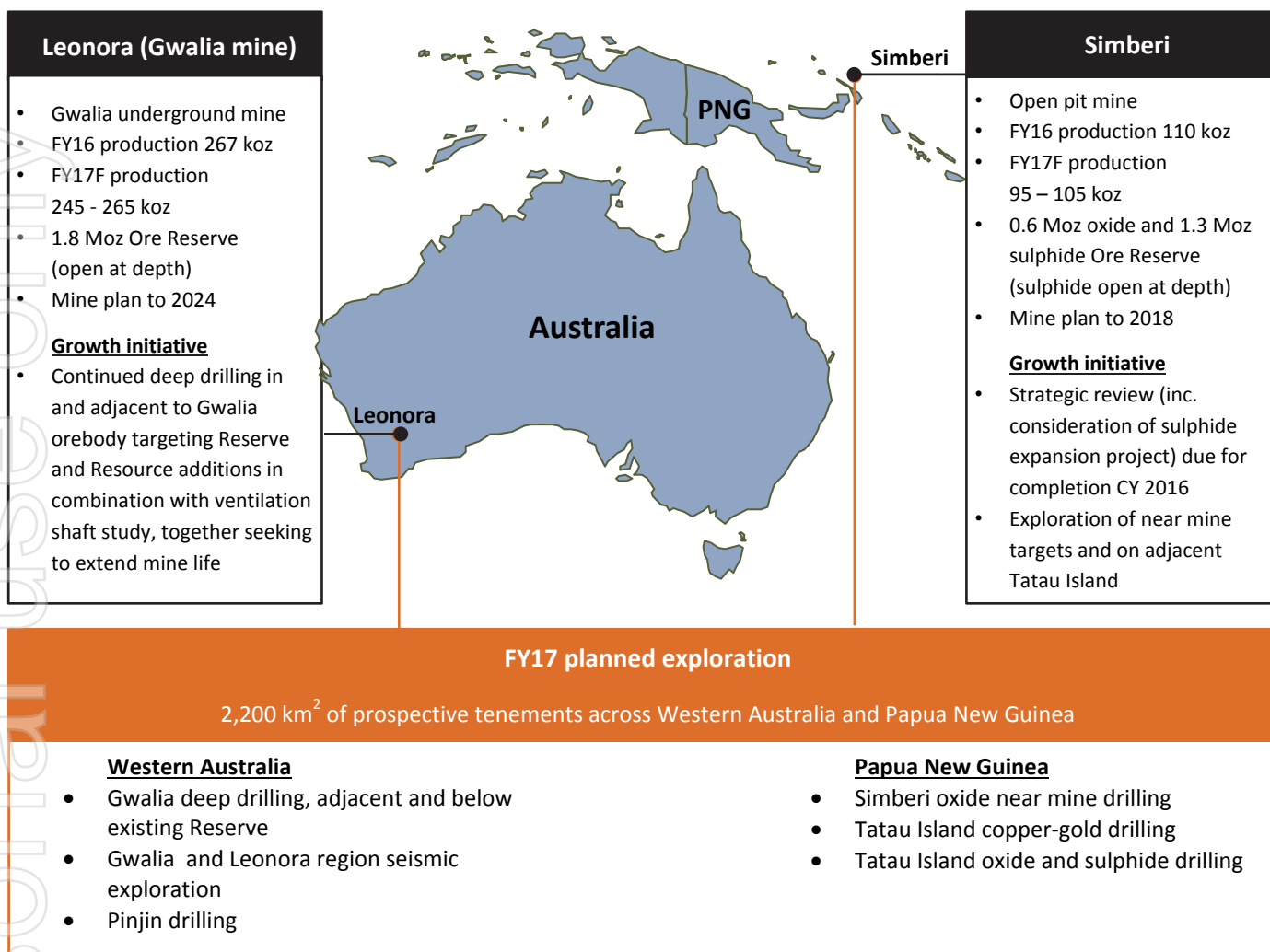
### Record Low All-in Sustaining Costs A\$933/oz



### Record Low Total Recordable Injury Frequency Rate 2.1

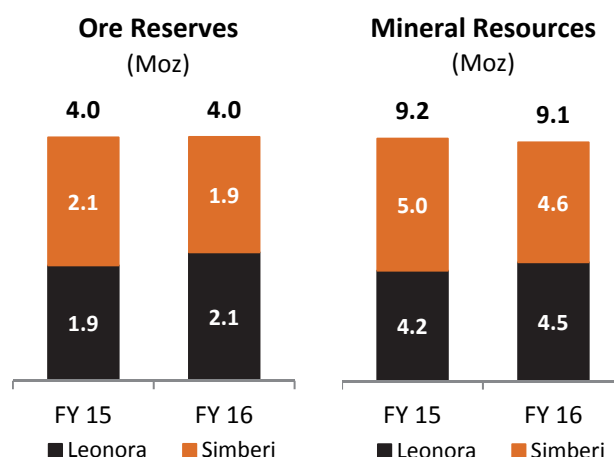


## St Barbara at a glance



## Ore Reserves as at 30 June 2016

Ore Reserves	Mt	g/t Au	Moz
Leonora, Western Australia	9.4	7.0	2.11
Simberi, Papua New Guinea	27.7	2.1	1.90
<b>Total Reserves all Regions</b>	<b>37.0</b>	<b>3.4</b>	<b>4.01</b>



Notes: All Ore Reserve and Mineral Resource figures are as at 30 June 2016, refer to pages 72 to 77 for details.

Mineral Resources are reported inclusive of Ore Reserves.

Mine lives based on Ore Reserves at 30 June 2016. FY17 guidance figures per June 2016 Quarterly Report released to ASX on 19 July 2016.

Data is rounded as displayed in charts, discrepancies in totals may occur due to rounding.

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## Corporate Governance Statement

The Company's 2016 Corporate Governance Statement was released to the ASX on 21 October 2016 and is available at [www.stbarbara.com.au/profile/governance/](http://www.stbarbara.com.au/profile/governance/)

## 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 2016.

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 (appointed 1 July 2015)  
Non-Executive Director (17 February 2014 to 30 June 2015)
- R S Vassie  
Managing Director & CEO (appointed 1 July 2014)
- K J Gleeson  
Non-Executive Director (appointed 18 May 2015)
- D E J Moroney  
Non-Executive Director (appointed 16 March 2015)

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.

## Directors' Report

## Overview of Group Results

The consolidated result for the year is summarised as follows:

	2016 \$'000	2015 \$'000
EBITDA <sup>(3)(6)</sup>	298,106	167,557
EBIT <sup>(2)(6)</sup>	217,191	82,486
Profit before tax <sup>(4)</sup>	183,402	40,772
<b>Statutory profit<sup>(1)</sup> after tax</b>	<b>169,388</b>	<b>39,682</b>
Total net significant items after tax	41,892	(2,282)
EBITDA <sup>(6)</sup> (excluding significant items)	285,500	184,081
EBIT <sup>(6)</sup> (excluding significant items)	204,585	99,010
Profit before tax (excluding significant items)	170,796	57,296
<b>Underlying net profit after tax<sup>(5)(6)</sup></b>	<b>127,496</b>	<b>41,964</b>

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.

	2016 \$'000	2015 \$'000
Asset impairments and write downs	-	(11,425)
Increase in rehabilitation provision	-	(5,896)
Gain on sale of KOTH and Kailis	14,056	-
Effect of unhedged US borrowings	(7,360)	(47,470)
Unrealised foreign exchange gain	13,809	42,805
Realised foreign exchange loss on buy back of US borrowings	(7,899)	(13,066)
Net profit from discontinued operation	-	18,528
<b>Significant items before tax</b>	<b>12,606</b>	<b>(16,524)</b>
Income tax	29,286	14,242
<b>Significant items after tax</b>	<b>41,892</b>	<b>(2,282)</b>

(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. It includes revenues and expenses associated with discontinued operations in prior year.

(3) EBITDA is EBIT before depreciation and amortisation. It includes revenues and expenses associated with discontinued operations in prior year.

(4) Profit before tax is earnings before income tax expense. It includes revenues and expenses associated with discontinued operations in prior year.

(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, and excluding profit or loss from discontinued operations in prior year.

(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 2016 financial year the Group significantly improved its financial performance, with key achievements over the year being:

- Record annual production from the Gwalia mine of 267,166 ounces of gold (2015: 248,142 ounces), generating significant cash flows during the year of \$223,616,000 (2015: \$168,695,000).
- Successful turnaround of the Simberi operations in Papua New Guinea, with this operation producing record production of 110,286 ounces (2015: 79,568 ounces), generating positive cash flows of \$33,808,000 for the year (2015: negative \$33,000).

The Group reported a statutory net profit after tax of \$169,388,000 (2015: \$39,682,000) for the year ended 30 June 2016, including significant items totalling profit after tax of \$41,892,000 (2015: net loss after tax of \$2,282,000).

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 \$127,496,000 for the year (2015: \$41,964,000).

During the year the Group generated cash flows from operations of \$242,788,000 (2015: \$113,201,000) reflecting the strong performance of both Gwalia and Simberi.

Cash on hand at 30 June 2016 was \$136,689,000 (2015: \$76,871,000). Total interest bearing borrowings were \$226,318,000 (2015: \$346,961,000), with a significant reduction in borrowings during the year possible with the strong cash flows generated by the operations.

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

	2016	2015
Basic earnings per share (cents per share)	34.21	4.29
Return on capital employed	54%	21%
Change in share price	418%	396%

## Directors' Report

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

Year ended 30 June 2016 \$'000	Australian Operations	Simberi Operations	Group
Revenue	440,333	169,782	610,115
Mine operating costs	(161,117)	(119,810)	(280,927)
<b>Gross Profit</b>	<b>279,216</b>	<b>49,972</b>	<b>329,188</b>
Royalties	(17,608)	(3,847)	(21,455)
Depreciation and Amortisation	(63,492)	(12,098)	(75,590)
<b>Underlying profit from operations<sup>(1)</sup></b>	<b>198,116</b>	<b>34,027</b>	<b>232,143</b>

(1) Excludes impairment losses, net gain on disposal of assets, corporate costs, 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 continued operations in Australia and at Simberi.

Year ended 30 June 2016 \$'000	Australian Operations	Simberi Operations	Group
Operating cash contribution	271,462	43,210	314,672
Capital expenditure – sustaining	(27,065)	(9,402)	(36,467)
Capital expenditure - growth <sup>(2)</sup>	(9,006)	-	(9,006)
<b>Cash contribution<sup>(1)</sup></b>	<b>235,391</b>	<b>33,808</b>	<b>269,199</b>

(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.

## Overview of Operating Results

Total production for the Group in the 2016 financial year was 386,564 ounces of gold (2015: 377,387 ounces), and gold sales amounted to 381,761 ounces (2015: 382,104 ounces) at an average gold price of A\$1,595 per ounce (2015: A\$1,439 per ounce). Total gold production included 9,112 ounces (2015: 49,677 ounces) from the King of the Hills mine, which ceased production in April 2015 and processed stockpiled material until September 2015.

Consolidated All-In Sustaining Cost (AISC) for the Group was \$933 per ounce in 2016 (2015: \$1,007 per ounce), reflecting the benefits of strong results achieved at Gwalia and improved performance at Simberi.

Total net cash contribution from operations was \$269,199,000 (2015: \$185,963,000) as a result of the record performance from Gwalia and Simberi, which was after capital expenditure and funding of the deep drilling program.



## Directors' Report

## Analysis of Australian Operations

Total sales revenue from the Leonora operations of \$440,333,000 (2015: \$435,685,000) was generated from gold sales of 276,210 ounces (2015: 302,094 ounces) in the year at an average achieved gold price of A\$1,592 per ounce (2015: A\$1,437 per ounce). During the 2016 year, revenue benefitted from the significantly higher average gold price. The decrease in gold sales was due to 40,565 ounces lower production from the King of the Hills mine with its divestment in October 2015. In April 2015 mining operations at King of the Hills ceased and processing of stockpiles through the Gwalia mill continued to the end of September 2015.

A summary of production performance for the year ended 30 June 2016 is provided in the table below.

Details of 2016 Production Performance

	Gwalia		King of the Hills	
	2016	2015	2016	2015
Underground Ore Mined (kt)	924	902	-	457
Grade (g/t)	9.3	8.9	-	4.1
Ore Milled (kt)	951	931	76	392
Grade (g/t)	9.1	8.6	3.9	4.2
Recovery (%)	96	96	95	95
Gold Production (oz)	267,166	248,142	9,112	49,677
Cash Cost <sup>(1)</sup> (A\$/oz)	609	642	893	1,112
All-In Sustaining Cost (AISC) <sup>(2)</sup> (A\$/oz)	783	841	964	1,103

(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).

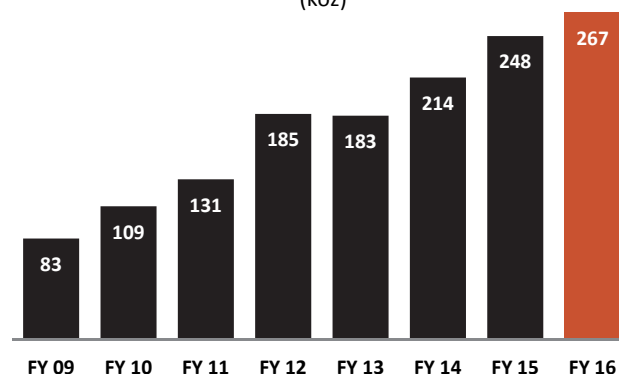
(2) All-In Sustaining Cost (AISC) is based on Cash Operating Costs, and adds items relevant to sustaining production. It includes some but not all, of the components identified in World Gold Council's Guidance Note on Non-GAAP Metrics – All-In Sustaining Costs and All-In Costs (June 2013), which is a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

## Gwalia

Gwalia produced a record 267,166 ounces of gold in 2016 (2015: 248,142 ounces). The record performance at Gwalia was the result of multiple factors, including improvements in productivity, successful implementation of innovations in mining and higher grade.

Ore tonnes mined from the Gwalia underground mine increased from 902,000 tonnes in 2015 to 924,000 tonnes in 2016, largely due to productivity improvements achieved during the year, including the introduction of an ore pass system and continued underground storage of waste allowing greater truck availability during critical stope movements.

Ore mined grades increased from 8.9 grams per tonne gold in 2015 to 9.3 grams per tonne gold in 2016 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 8.6 grams per tonne in 2015 to 9.1 grams per tonne in line with the higher grade of ore mined. The Gwalia mill continued to perform strongly in 2016, and throughput increased in line with the higher ore production; the average recovery was consistent with the prior year at 96 percent.

Gwalia Gold Production  
(koz)

Gwalia unit Cash Operating Costs <sup>(1)</sup> for the year were \$609 per ounce (2015: \$642 per ounce), reflecting the benefit of increased production and higher average grade. The unit All-In Sustaining Cost (AISC) <sup>(2)</sup> for Gwalia was \$783 per ounce in 2016, which was well down on the \$841 per ounce reported in the prior year. The lower AISC in 2016 was due mainly to the lower unit Cash Operating Cost and reduced sustaining capital expenditure. Total Cash Operating Costs at Gwalia of \$162,704,000 were higher compared with the prior year (2015: \$159,307,000) due to the increase in production volumes.

In 2016 Gwalia generated net cash flows, after capital and deep drilling expenditure, of \$223,616,000 (2015: \$168,695,000).

## King of the Hills

Gold production from King of the Hills was 9,112 ounces (2015: 49,677 ounces). The lower production in 2016 was as a result of mining operations ceasing in April 2015 and only the remaining stockpile was processed in the first quarter of the 2016 financial year.

In the remaining months of the operations King of the Hills generated net cash flows, after capital expenditure, of \$11,775,000 (2015: 17,301,000).



## Directors' Report

## Analysis of Simberi Operations

During 2016, the Simberi operations continued to build on the 2015 successful turnaround. The turnaround has been achieved through optimising the processing plant to sustain throughput of 3.5 million tonnes per annum, improving the mining fleet and achieving productivity improvements in mining operations, increased focus on the ore delivery system and a commitment to reduce operating costs.

Total sales revenue from Simberi in 2016 was \$169,782,000 (2015: \$112,521,000), generated from gold sales of 105,551 ounces (June 2015: 77,236 ounces) at an average achieved gold price of A\$1,604 per ounce (2015: A\$1,445 per ounce).

A summary of production performance at Simberi for the year ended 30 June 2016 is provided in the table below.

Details of 2016 Production Performance

	Simberi	
	2016	2015
Open Pit Ore Mined (kt)	3,372	2,070
Grade (g/t)	1.26	1.23
Ore Milled (kt)	3,315	2,660
Grade (g/t)	1.26	1.10
Recovery (%)	82	84
Gold Production (oz)	110,286	79,568
Cash Cost <sup>(1)</sup> (A\$/oz)	1,143	1,337
All-In Sustaining Cost (AISC) <sup>(2)</sup> (A\$/oz)	1,293	1,464

(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.

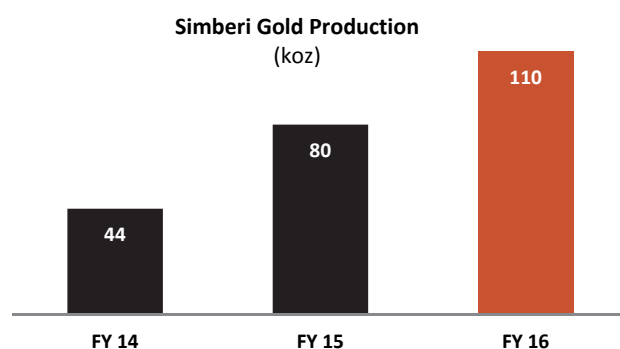
## Simberi

Simberi production of 110,286 ounces of gold was the highest since the Group acquired the operations in September 2012 (2015: 79,568 ounces).

Ore tonnes mined and total volume of material moved increased quarter on quarter during 2016. Ore mined in 2016 totalled 3,372,000 tonnes, which was an increase of 63% on the prior year. The improvement in mining performance in the 2016 financial year was largely attributable to continuous improvement in mine planning, upgrading of the mining equipment and improvement in equipment reliability and availability, and introducing operating efficiencies across the operations.

Ore mined grades were generally in line with the prior year at 1.26 grams per tonne gold (2015: 1.23 grams per tonne).

Ore milled increased to 3,315,000 tonnes (2015: 2,660,000 tonnes), which reflected the benefit of being able to operate both the SAG and ball mills.



Simberi unit Cash Operating Costs for the year were \$1,143 per ounce (2015: \$1,337 per ounce), reflecting the positive impact of increased production and lower operating costs. The unit All-In Sustaining Cost (AISC) for Simberi was \$1,293 per ounce in 2016 (2015: \$1,464 per ounce). Total Cash Operating Costs at Simberi during the 2016 year were higher than the prior year at \$126,057,000 (2015: \$106,382,000) due to increased production.

In 2016 Simberi generated positive net cash flows, after capital expenditure, of \$33,808,000 (2015: negative \$33,000).

## Directors' Report

### Discussion and Analysis of the Income Statement

#### Revenue

Total revenue increased from \$548,206,000 in 2015 to \$610,115,000 in 2016. Revenue from Leonora and Simberi was higher than the previous year due to increased production and gold sales, and the benefit of the significantly higher gold price.

Revenue from King of the Hills in the year was lower than the prior year at \$13,960,000 (2015: \$71,556,000).

#### Mine operating costs

Mine operating costs in relation in 2016 were \$280,927,000 compared to \$311,701,000 in the prior year. The decrease in operating costs was mainly attributable to the cessation of mining at King of the Hills in April 2015.

#### Other revenue and income

Other revenue of \$1,994,000 (2015: \$1,782,000) comprised mainly interest earned during the year of \$1,960,000 (2015: \$1,586,000). The increase in interest earned is reflective of higher cash balances in 2016.

Other income for the year was \$3,564,000 (2015: \$79,000).

#### Exploration

Total exploration expenditure incurred during the 2016 year amounted to \$15,792,000 (2015: \$9,932,000), with an amount of \$9,006,000 (2015: \$2,241,000) capitalised to exploration and evaluation, relating to drilling expenditure at Gwalia. Exploration expenditure expensed in the income statement in the year amounted to \$6,786,000 (2015: \$7,691,000). 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 and regional exploration in Western Australia.

#### Corporate costs

Corporate costs for the year of \$19,184,000 (2015: \$20,284,000) comprised mainly expenses relating to the corporate office and compliance related costs. Expenditure in 2016 was lower than in the prior year as a result of a cost reduction program that commenced in 2014.

#### Royalties

Royalty expenses for the year were \$21,455,000 (2015: \$20,231,000). 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 2016 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 \$80,915,000 (2015: \$85,071,000) for the year. Depreciation and amortisation attributable to the Australian Operations was \$63,492,000 (2015: \$69,837,000), with the lower charge attributable to the prior year charge including \$15,739,000 associated with King of the Hills. Higher gold production from Gwalia in the 2016 financial year resulted in an increase in depreciation and amortisation for this mine. The expense at Simberi was \$12,098,000 (2015: \$10,038,000), with the higher charge due to increased production.

#### Other expenditure

Other expenditure of \$1,967,000 (2015: \$9,705,000) included amounts associated with share base payments and charges for Company projects. The prior year expense included a charge related to an onerous provision for surplus office lease space.

#### Net finance costs

Finance costs in the year were \$35,749,000 (2015: \$43,300,000). Finance costs comprised interest paid and payable on borrowings and finance leases of \$28,608,000 (2015: \$37,179,000), capitalised borrowing costs relating to the senior secured notes amortised to the income statement of \$5,434,000 (2015: \$4,246,000) and the unwinding of the discount on the rehabilitation provision of \$1,707,000 (2015: \$1,875,000).

#### Foreign currency movements

A net foreign exchange movement gain of \$142,000 was recognised for the year (2015: loss of \$15,350,000), which included realised foreign currency losses of \$7,899,000 (2015: \$13,066,000) on repayments of US denominated debt during the year, offset by a net unrealised currency gain of \$6,449,000 (2015: net loss of \$4,665,000) related to Australian and US intercompany loans and third party balances.

#### Income tax

An income tax expense of \$14,014,000 was recognised for the 2016 year (2015: income tax expense of \$1,090,000), which related to income tax expense of \$17,358,000 on Australian taxable income, less an income tax credit relating to PNG operations of \$3,344,000. Included in the tax expense in 2016 was a benefit of \$18,796,000 related to deferred tax assets recognised as part of tax consolidation of the Australian group, and a benefit of \$9,751,000 relating to the derecognition of deferred tax liabilities relating to unrealised foreign exchange gains on borrowings between companies within the tax consolidated group which had previously been recognised. There was no income tax paid during the 2016 financial year.

## Directors' Report

### Discussion and Analysis of the Cash Flow Statement

#### Operating activities

Cash flows from operating activities for the year were \$242,788,000 (2015: \$113,201,000), 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 \$615,244,000 (2015: \$555,823,000) were higher than the prior year due to increased gold sales from higher gold production, and the benefit of the stronger average gold price in 2016. Payments to suppliers were \$336,805,000 (2015: \$407,508,000), with the significant reduction associated with payments at the Gold Ridge and King of the Hills mines in the prior year.

Payments for exploration expensed in the year amounted to \$6,786,000 (2015: \$7,383,000). Interest paid in the year was \$30,405,000 (2015: \$28,682,000), with the higher expense due mainly to the impact of the weaker Australian dollar on United States dollar denominated interest payments.

#### Investing activities

Net cash flows used in investing activities amounted to \$46,122,000 (2015: \$50,602,000) for the year. Lower expenditure on property, plant and equipment of \$16,057,000 (2015: \$23,762,000) was the main reason for reduced investing expenditure in the year. Lower expenditure on property, plant and equipment in 2016 was mainly due to the completion of the plant expansion at Simberi in the prior year.

Lower mine development of \$21,071,000 (2015: \$24,705,000) was due mainly to reduced expenditure at King of the Hills. Exploration expenditure capitalised during the year totalled \$9,006,000 (2015: \$2,241,000), 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 – \$23,285,000 (2015: \$30,662,000).
- Purchase of property, plant and equipment at the Leonora operations – \$3,780,000 (2015: \$3,073,000)
- Simberi oxide expansion and other capital projects – \$Nil (2015: \$8,412,000).
- Purchase of property, plant and equipment at the Simberi operations – \$9,402,000 (2015: \$699,000)

#### Financing activities

Net cash flows related to financing activities in 2016 were a net outflow of \$140,130,000 (2015: net outflow of \$71,341,000), due mainly to the repayment of debt. The main movements in financing cash flows included:

- Partial repayment of the secured notes through repurchases totalling \$37,798,000 (2015: \$66,831,000).
- Total repayment of the Red Kite loan facility amounting to \$102,073,000 (2015: \$Nil).
- Repayment of finance leases amounting to \$2,225,000 (2015: \$4,003,000).

During the year cash backed banking guarantees was released, amounting to \$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 \$160,185,000 to \$300,614,000 as a result of higher cash, combined with a reduction in total liabilities with the full repayment of the Red Kite loan and repurchase of senior secured notes.

Current trade and other payables decreased to \$39,768,000 at 30 June 2016 (2015: \$42,895,000), reflecting mainly the impact of the cessation of activities at King of the Hills.

Provisions decreased to \$43,768,000 (2015: \$62,597,000) due to de-recognition of the King of the Hills rehabilitation provision and the reversal of the onerous provision for office lease space.

The deferred tax balance was a net asset of \$1,098,000 (2015: net asset of \$13,985,000). Deferred tax assets decreased during the year mainly due to the utilisation of carried forward tax losses.

#### Debt management and liquidity

The available cash balance at 30 June 2016 was \$136,689,000 (2015: \$76,871,000), with an additional \$118,000 (2015: \$2,084,000) held on deposit as restricted cash and reported within trade receivables.

Total interest bearing liabilities reduced to \$226,318,000 at 30 June 2016 (2015: \$346,961,000). The weaker Australian dollar had a negative impact on the United States dollar denominated debt as at 30 June 2016 however the repurchase of senior secured notes and Red Kite loan repayments significantly reduced borrowings. The largest components of the year end balance were:

- US\$167,975,000 (2015: US\$195,980,000) senior secured notes translated at the year end AUD/USD exchange rate (\$225,405,000), net of capitalised transaction costs of \$2,838,000;
- A debt facility at the end June 2015 of US\$75,000,000 drawn down with RK Mine Finance ("Red Kite") was fully repaid in May 2016.
- Lease liabilities of \$1,542,000.

The AUD/USD exchange rate as at 30 June 2016 was 0.7452 (30 June 2015: 0.7713).

## Directors' Report

### 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 year through the optimisation of the processing plant, improving the mining fleet, and productivity improvements in mining operations.

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 2016 financial year the Group achieved a number of strategic milestones:

- Record annual gold production was achieved at Gwalia and Simberi. At Gwalia performance was enhanced through implementation of productivity measures. At Simberi the turnaround of the operations that commenced in the prior year was consolidated to achieve consistent production in 2016.
- Record safety performance for the Group, reporting a Total Recordable Injury Frequency Rate (TRIFR) of 2.1 (2015: 5.0).
- Through strong cash generation from the operations the Group reduced its debt by \$142,096,000 (2015: \$70,834,000), repaying the Red Kite loan facility in full which was 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 and the neighbouring islands were advanced.

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 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 2016 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 1.3 Moz, provides an opportunity to create a long life production centre at Simberi. 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, fund exploration and reduce debt to the extent viable and appropriate. The Group's capital management plan is reviewed and discussed with the Board on a regular basis. During 2016 the Company successfully reduced 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 1.8 million ounces remains the flagship asset of the Group, generating strong cash flows. To optimise the value of ongoing truck haulage at Gwalia a multi option ventilation study is underway; truck haulage with additional ventilation has been identified as the preferred long term materials movement solution for the mine, facilitating mining below 1,800 metres below surface. In parallel the deep drilling program at Gwalia will continue during the 2017 financial year.

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 announced in February 2016. The purpose of the review is to determine how best to maximise the value from the PNG assets, and discussions are in progress with a number of third parties regarding a variety of options. It is expected that the strategic review will be complete by the end of calendar 2016.

The Group's 2017 financial year budget was developed in the context of a volatile gold market and weakening Australian dollar against the United States dollar. The Group's priorities in the 2017 financial year are to continue consistent production from Gwalia and Simberi, drive productivity improvements at both operations and contain capital expenditure. For the 2017 financial year the Group's operational and financial outlook is as follows:

- Gold production is expected to be in the range 340,000 to 370,000 ounces.
- All-In Sustaining Cost is expected to be in the range of \$985 per ounce to \$1,075 per ounce.
- Capital expenditure is expected to be in the range of \$45 million to \$53 million.
- Exploration expenditure is anticipated to be between \$18 million and \$22 million.

The focus for the exploration program in 2017 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 Papua New Guinea.



## Directors' Report

### 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 2016 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, as any others, 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.
- *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:

## Directors' Report

- 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.
- *Restrictions on indebtedness:* Under the terms of the US senior secured notes, although there are no operational covenants, there are certain restrictions on the cumulative amount that can be invested in the Pacific Operations, and in the amount of additional indebtedness that may be entered into by the Group. A breach of these terms may lead to a default. At 30 June 2016, based on forward projections, there is adequate headroom under these restrictions. However the restrictions on investment in the Pacific Operations and new indebtedness may provide a potential constraint on developing future programs such as expanding production capacity or developing additional near mine reserves.
- *Refinancing risk:* The Company has debt with external financiers, being the US senior secured notes. Although the Company currently generates sufficient cash flows to secure its debt requirements, no assurance can be given that it will be able to refinance the debt prior to its expiry on acceptable terms to the Company. If the Company is unable to repay or refinance its external debt in the future, its financial condition and ability to continue operating may be adversely affected.
- *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 and interest bearing liabilities 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 interest bearing liabilities, which may reduce, but does not eliminate, foreign exchange risk. The Group is therefore

## Directors' Report

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 reliably 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.



## Directors' Report

### Information on Directors

#### Tim 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

Toro Energy Limited (announced as resigning effective 1 September 2016)

#### *Former listed company directorships in last 3 years*

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 & CEO 1 July 2014

Mr Vassie is a mining engineer with 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 listed public company directorships: Nil*

#### *Former listed company directorships in last 3 years*

Inova Resources Limited (formerly Ivanhoe Australia Limited, resigned November 2013)

#### *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 also practised as a senior lawyer at the Australian law firm, Ashurst.

Ms Gleeson is a Non-Executive Director of McAleese Limited, and a member of its Audit, Business Risk and Compliance Committee. She is also a Non-Executive Director of Trinity College, University of Melbourne.

#### *Other current listed company directorships*

McAleese Limited

*Former listed company directorships in last 3 years: Nil*

#### *Special responsibilities*

Chair of Remuneration Committee

Member of the Audit & 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 & 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).

#### *Other current listed company directorships: Nil*

#### *Former listed company directorships in last 3 years: Nil*

#### *Special responsibilities*

Chair of the Audit & Risk Committee

Member of the Health, Safety, Environment and Community Committee

Member of the Remuneration Committee

## Directors' Report

### Qualifications and experience of the Company Secretary

#### Rowan Cole

B.Comm, CA, CIA, MBA, 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 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 & CEO in July 2014. Mr Vassie is a mining engineer with 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 30 years of 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, business analysis, internal audit, capital management, procurement and information technology. Prior to joining St Barbara, 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 (Scheduled)		Board (Supplementary)		Audit & Risk Committee		Remuneration Committee		Health, Safety, Environment & Community Committee	
	A	H	A	H	A	H	A	H	A	H
K Gleeson	7	8	7	7	5	5	5	5	3	4
D Moroney	8	8	7	7	5	5	5	5	4	4
T Netscher	8	8	7	7	5	5	5	5	4	4
R Vassie	7	8	6	7	4	5	4	5	4	4

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	-	-
D Moroney	100,000	-
T Netscher	-	-
R Vassie	1,769,053	5,167,174

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

## Remuneration report (Audited)

### Introduction

This Remuneration Report describes the remuneration structure that applied for the 2016 financial year. The Report provides details of remuneration paid for the 2016 financial year to Directors and the senior executives named in this report with the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, collectively referred to as Key Management Personnel.

### Overview of contents

1. Remuneration strategy
2. Key changes since 2015 Remuneration Report
3. Remuneration governance
4. Remuneration structure
5. Relationship between Group performance and remuneration
6. Remuneration disclosure for 2016

### 1. Remuneration Strategy

The Group's remuneration strategy recognises that it needs to attract, reward and retain high calibre, high performing, and team orientated individuals capable of delivering the Group strategy. The remuneration policy and related employment policies and practices are aligned with this strategy.

The objectives of the Remuneration strategy for the 2016 financial year, consistent with the Group strategy, were to ensure that:

- total remuneration for senior executives and each level of the workforce was market competitive
- key employees were retained
- total remuneration for senior 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
- remuneration for Non-Executive Directors preserved their independence by being in the form of fixed fees.

The remuneration strategy, policy 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	Budget setting framework	Set Remuneration review framework
July		Measure STI outcomes and determine award Measure LTI outcomes and action any vested entitlements
August	Annual Financial Report	Set STI targets for following financial year
October	Annual Report	
November	Annual General Meeting	Shareholder approval of LTI to be issued to MD & CEO

## 2. Key changes since 2015 Remuneration Report

### Non-Executive Director Remuneration

There has been no change in the number of Non-Executive Directors or in the Non-Executive Director fee structure during the 2016 financial year.

### Senior Executive Remuneration

There has been no change to the number of senior executives during the 2016 financial year.

The proportion of Group and individual targets used to determine Short Term Incentives (STI) changed from 50%:50% in 2015 to 70% Group targets and 30% individual targets in 2016.

There has been a minor change in the method of calculating Short Term Incentives, however the quantum is unchanged. This is explained further under 4(b)(ii) Short Term Incentive.

The St Barbara Rights Plan was updated during the financial year as published in the Notice of the 2015 Annual General Meeting. Key features are set out under 4(b)(iii), Performance Linked Remuneration.

## 3. 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 properly 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](http://www.stbarbara.com.au).

The Remuneration Committee is responsible for making recommendations to the Board on all aspects of remuneration arrangements for Non-Executive Directors, the Managing Director and CEO, and the senior executives named in this report with the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, collectively referred to as Key Management Personnel.

In addition, the Remuneration Committee oversees and reviews proposed levels of annual organisation remuneration increases and 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 (and 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, the Remuneration Committee obtains and considers each year 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 Committee. The Committee reviews all other contracts with remuneration consultants and directly receives the reports of those consultants. Godfrey Remuneration Group was engaged by and

reported directly to the Committee during the financial year regarding remuneration design. 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.

## 4. Remuneration structure

### (a) Non-Executive Directors

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 to ensure that the Group continues to attract and retain Non-Executive Directors of a high calibre. The Board seeks the advice of, and is guided by, specialist independent remuneration consultants in this process. Currently Non-Executive Directors' fees are compared with those of comparably sized companies.

In order to maintain their independence and impartiality, the fees paid to Non-Executive Directors are not linked to the performance of the Group. Non-Executive Directors are not directly involved in the day to day management 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 maximum aggregate amount payable to all Non-Executive Directors is approved by shareholders. This amount is currently \$1,200,000 per annum in aggregate, approved by shareholders at the Annual General Meeting in November 2012. Within that amount, the basis and level of fees paid to Non-Executive Directors is set by the Board, and reported to shareholders each year, as detailed in Section 6 of this report.

The number of Non-Executive Directors as at the time of release of the Remuneration Report has reduced over recent years as follows:

• 2013 Remuneration Report	5
• 2014 Remuneration Report	4
• 2015 Remuneration Report	3
• 2016 Remuneration Report	3

Significant Board renewal occurred in 2014 and 2015, with all current Directors appointed to the Board in 2014 and 2015.

Directors in office at date of 2016 Remuneration Report		Appointed
T Netscher	Non-Executive Director Non-Executive Chairman	February 2014 July 2015
R Vassie	Managing Director & CEO	July 2014
K Gleeson	Non-Executive Director	May 2015
D Moroney	Non-Executive Director	March 2015

## Directors' Report

## Remuneration Report (audited)

Director fees were last increased on 1 July 2012 and were reduced by 10% from 1 March 2014. The quantum of Directors fees has been constant from 1 March 2014 to 30 June 2016.

Following a review of comparable resource industry non-executive director remuneration, the Board has resolved to increase Non-Executive Directors fees for FY17 as follows:

	Prior to March 2014	March 2014 to June 2016	FY17
Director fee	\$100,000	\$90,000	\$92,000
Committee Chair	\$17,500	\$15,750	\$16,000
Committee Member	\$8,500	\$7,650	\$10,000
Chairman	\$248,000	\$223,200	\$228,000

The Chairman's fee is inclusive of all Board Committee commitments. The overall annual increase in Board fees is approximately 4%. The 2017 financial year Non-Executive Directors' fees remain below the pre- March 2014 level and are well within the shareholder approved aggregate.

(b) Senior Executive Remuneration

The Group operates a performance based remuneration system through which the remuneration of senior executives is linked to the financial and non-financial performance of the Group, including its share price.

Under the remuneration system the amount of performance linked at risk remuneration relative to an employee's total remuneration increases in line with the seniority of the role of that employee. This reinforces the linkage between personal and Group performance and achievement of the Group's business strategy and creation of shareholder return.

The reward structures for the Group's senior executives are strongly aligned with shareholders' interests by:

- recognising the contribution of each senior executive to the achievement of the Group's strategy and business objectives
- rewarding high individual performance
- being market competitive to attract and retain high calibre individuals
- ensuring that equity based remuneration through the long term incentive plan is based on a number of outperformance measures over a three year period.

To achieve these objectives, remuneration for senior executives is comprised of fixed remuneration and performance linked at risk remuneration. The at risk component is comprised of separate short term and long term incentives in which the former are linked to specific personal and corporate or business unit objectives and the latter are linked to long term strategic corporate objectives. Both provide a direct connection between achievement of targets which drive Group performance and shareholder return, with personal remuneration. The mix of fixed and at risk remuneration varies according to the role of each senior 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 number of senior executives was reduced significantly in 2014 at the same time as Board renewal was underway. The lean executive structure, complemented by an experienced senior management team across operations, exploration and corporate functions, remained appropriate for 2016.

Remuneration Report		Senior executives
2013	6	MD & CEO, CFO, 4 Executive General Managers
2014	3	MD & CEO, CFO, 1 Executive General Manager
2015	2	MD & CEO, CFO
2016	2	MD & CEO, CFO

## Composition of Senior Executive Remuneration

The mix of fixed and at risk remuneration for senior executives for 2016 is as follows:

2016			Fixed remuneration	At risk remuneration		Total remuneration
				STI	LTI	
Level 6 (CEO)	- at target <sup>(1)</sup>	KMP	53%	27%	20%	100%
	- at maximum <sup>(2)</sup>		36%	36%	28%	100%
Level 5 (CFO)	- at target <sup>(1)</sup>	KMP	59%	23%	18%	100%
	- at maximum <sup>(2)</sup>		42%	33%	25%	100%
Level 4 (GM)	- at target <sup>(1)</sup>	Non-KMP	65%	20%	15%	100%
	- at maximum <sup>(2)</sup>		49%	29%	22%	100%

Figures are rounded to nearest whole percent.

(1) For STI, 'Target' is the mid-point of the theoretical maximum 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 theoretically lead to two times the target allocation. For LTI, 'Target' is the mid-point of the theoretical maximum LTI available. The LTI allocation is fixed at grant, but the proportion of the grant that vests, if any, is subject to performance measurement under the relevant LTI plan. See details in Section 6 for LTI vested during 2016.

(2) For STI, 'Maximum' is the theoretical maximum 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.

For LTI, 'Maximum' is the theoretical maximum LTI available. The LTI allocation is fixed at grant, but the proportion of the grant that vests, if any, is subject to performance measurement under the relevant LTI plan. See details in Section 6 for LTI vested during 2016.

(i) *Fixed Remuneration = Base salary + superannuation + benefits*

Fixed remuneration for each senior executive role is reflected against prevailing comparable market rates, to ensure that the Group is able to attract and retain a talented and capable workforce appropriate to meet its current and anticipated needs.

For senior executives, fixed remuneration = base salary + superannuation + benefits.

The base salary for each senior 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 senior 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 pre-determined measures. The performance appraisal for each senior executive 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.

In addition to statutory superannuation contributions, senior executives may elect to allocate additional salary towards superannuation contributions, subject to legislative limits.

Senior executives may receive benefits, including car parking, payment for certain professional memberships and living away from home and travel expenses.

(ii) *Performance Linked Remuneration - Short term incentives (STI)*

The STI is an annual "at risk" component of remuneration for senior executives. It is payable based on performance against key performance indicators (KPIs) set at the beginning of the financial year. STIs are structured to remunerate senior executives for achieving annual Group targets as well as their own individual performance targets designed to favourably impact the business. From 2016, the weighting was amended to be 70% Group targets and 30% individual targets (previously they were weighted equally, i.e. 50%:50%). 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. 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.

For 2016, 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.

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

Threshold performance typically requires material achievement of the full year budget (where the budget is normally more demanding year on year) for quantifiable measures such as safety, profitability, cash generation, as well as the achievement of criteria set as near term goals linked to the annual strategy review.

Target performance represents challenging but achievable levels of performance beyond achievement of budget measures. For example, the 2016 financial year STI target for gold production for Leonora was set at 104% of the corresponding internal budget figure.



Stretch 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.

The Remuneration Committee is responsible for recommending to the Board senior executive STIs and then later assessing the extent to which the Group STI measures and the individual KPIs of the senior executives have been achieved, and the amount to be paid to each senior 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 and independent remuneration consultants as required. The Board retains overall discretion on whether an STI should be paid in any given year.

The Board is aware of a trend in ASX 100 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, however, deferral of STI is not yet common amongst the resources companies from which St Barbara 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.

Details of the FY16 STI are set out in Section 6 of this report.

### *(iii) Performance Linked Remuneration - Long term incentives (LTI)*

LTIs are structured to reward senior executives for the long term performance of the Group relative to its peers. For 2016, LTIs were granted in the form of Performance Rights issued under the 2015 St Barbara Rights Plan.

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. The vesting conditions of the FY16 Performance Rights comprised measures for:

- relative total shareholder return (RTSR)
- return on capital employed (ROCE) in excess of the weighted average cost of capital (WACC), as a measure of capital efficiency and generation of shareholder value.

Performance rights issued from and including September 2015 also have positive total shareholder return for the vesting period as a minimum requirement for vesting.

Performance rights issued up to and including 2014 expire on the earliest of their expiry date, immediately upon the effective resignation date of the relevant senior executive or at the discretion of the Board for 'good leavers' from the date of retirement or retrenchment.

Performance rights issued from and including 2015 expire on the earliest of the effective resignation date of the relevant senior executive, their expiry date, or at the discretion of the Board for retiring or retrenched 'good leavers' on a pro-rata basis calculated at the expiry date.

Performance rights granted under the plan carry no dividend or voting rights. On vesting each performance right is convertible into one ordinary share.

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.

These characteristics of the gold industry, and comparison with long term incentive structures of other resource companies with which the Company 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, and it applies to the FY16 Performance Rights. At its discretion, the Board may choose to retest the relevant performance rights for the same performance conditions (i.e. above 50<sup>th</sup> percentile RTSR and increase in ore reserves) 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 for RSTR and ROCE for the extended vesting period (of four or five years), which should only correspond with a positive shareholder experience.

Details of the FY16 Performance Rights are set out in Section 6 of this report.

### *(iv) Summaries of service agreements for senior executives*

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

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

All service agreements with senior executives, including with the Managing Director and CEO comply with the provisions of Part 2 D.2, Division 2 of the Corporations Act.

### *R S Vassie – Managing Director and CEO*

1. Term of agreement – permanent employee, commenced 1 July 2014.
2. 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.

The other senior executive is a permanent employee, entitled to payment of a termination benefit on early termination by the Company, other than for gross misconduct or for poor performance as judged by the Company in its absolute discretion, equal to 8 months total fixed remuneration. Each senior executive may terminate employment at any time with 6 weeks' notice.



## (v) Future developments in remuneration

The Company 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.

The Company's market capitalisation grew four-fold during financial year 2016, and the Company is aware that the expectation and scrutiny of its remuneration practices is now greater as a result of joining the ASX 300 in September 2015 and the ASX 200 in March 2016.

## 5. Relationship Between Group Performance and Remuneration

The Board has regard to the overall performance of the Company 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 Company's performance.

In assessing the Company'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	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000
Sales revenue	541,189	568,443	533,828	552,581	610,115
EBITDA <sup>(1)</sup>	204,034	(150,628)	(331,634)	167,557	298,106
Statutory net profit/(loss) after tax	130,230	(191,854)	(500,831)	39,682	169,388
Underlying net profit/(loss) after tax <sup>(1)</sup>	120,920	29,285	(33,526)	41,964	127,496

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

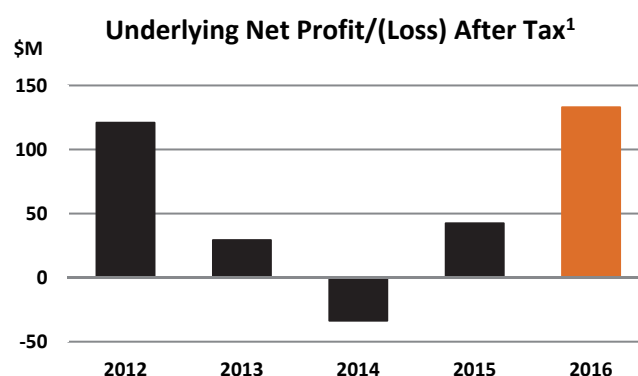
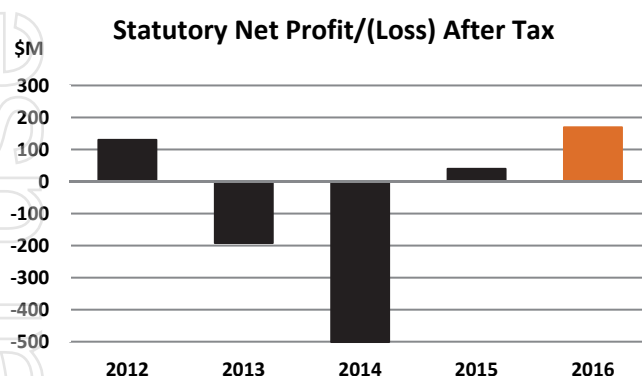
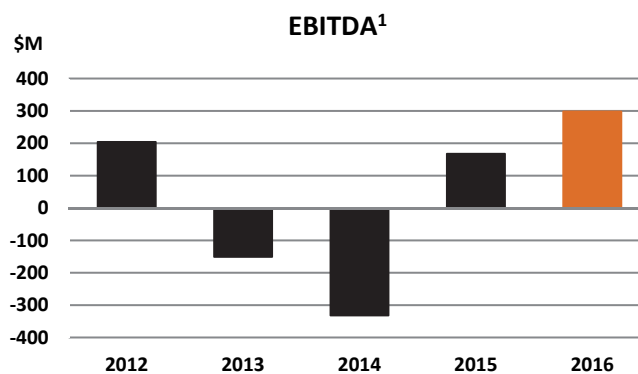
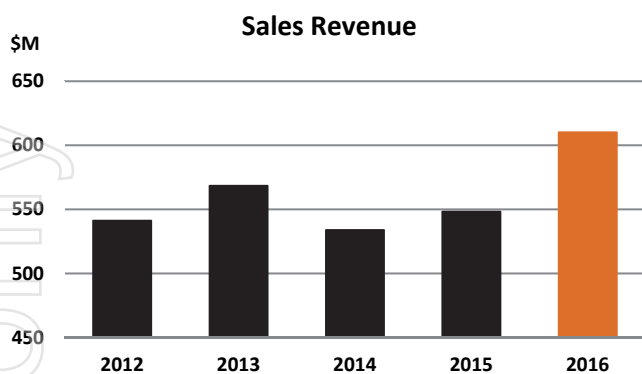
The table below provides the share price performance of the Company's shares in the current financial year and the previous four financial years.

Share price history	2012	2013	2014	2015	2016
Period end share price (\$ per share)	1.77	0.45	0.115	0.57	2.95
Average share price for the year (\$ per share)	2.12	1.35	0.38	0.21	1.56

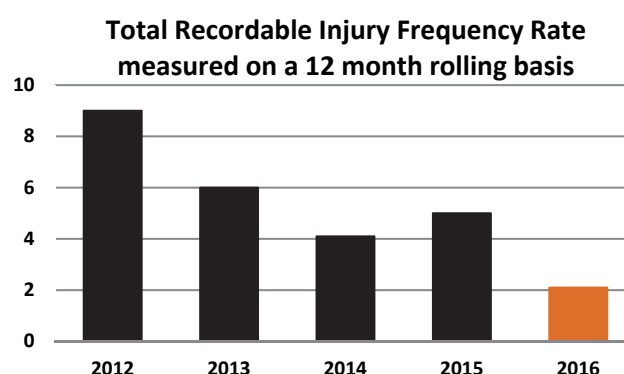
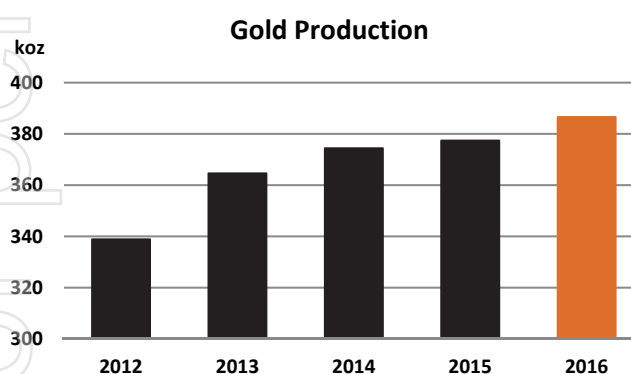
During the 2016 financial year, the Company's daily closing share price ranged between \$0.395 to \$3.30 per share (2015: \$0.072 to \$0.585 per share).

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

Performance Linked Remuneration	2012	2013	2014	2015	2016
% of maximum potential STI earned	92%	40%	0%	66%	99%
% of maximum potential LTI earned	0%	0%	0%	0%	67%



<sup>1</sup> 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.



The Company's primary measure of safety performance is the rolling 12-month average of the Total Recordable Injury Frequency Rate. The FY16 result compares favourably with published mining industry TRIFR information.

## Directors' Report

## 6. Remuneration disclosure for 2016

Details of the remuneration of Key Management Personnel of the Company during the year ended 30 June 2016 are set out in the following tables.

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

(1) For current employees, 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) For executive Key Management Personnel, non-monetary benefits comprise car parking, professional memberships and living away from home travel expenses.

(4) Calculated as 'STI payment' plus 'Share-based payments' divided by 'Total' remuneration

## Directors' Report

2015	Short-term benefits				Post-employment benefits	Long-term benefits			Proportion of total performance related
	Cash salary & fees \$	STI payment \$	Non-monetary benefits <sup>(3)</sup> \$	Other \$		Leave <sup>(1)</sup> \$	Share-based payments <sup>(2)</sup> \$	Termination payments \$	
<i>Non-Executive Directors</i>									
S J C Wise (Chairman) <sup>(9)</sup>	204,417	-	24,946 <sup>(4)</sup>	-	18,783	-	-	-	248,146
D W Bailey <sup>(8)</sup>	106,348	-	-	-	10,103	-	-	-	116,451
K J Gleeson <sup>(5)</sup>	12,478	-	-	-	1,185	-	-	-	13,663
D E J Moroney <sup>(6)</sup>	28,177	-	-	-	2,677	-	-	-	30,854
T C Netscher <sup>(10)</sup>	109,298	-	-	-	10,383	-	-	-	119,681
I L Scotland <sup>(7)</sup>	60,411	-	-	-	5,739	-	-	-	66,150
<b>Total Non-Executive Directors</b>	<b>521,129</b>	<b>-</b>	<b>24,946</b>	<b>-</b>	<b>48,870</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>594,945</b>
<i>Executive Director</i>									
R S Vassie <sup>(13)</sup>	631,217	447,200	64,303	100,000 <sup>(14)</sup>	18,783	52,558	41,717	-	1,355,778
<i>Senior Executives</i>									
G Campbell-Cowan	468,922	234,879	5,417	-	18,783	43,493	41,908	-	813,402
R Kennedy <sup>(11)</sup>	92,081	-	-	-	4,696	11,079 <sup>(15)</sup>	-	236,052	343,908
K Romeyn <sup>(12)</sup>	144,035	-	-	-	9,392	7,083 <sup>(15)</sup>	-	220,175	380,685
<b>Total Senior Executives</b>	<b>1,336,255</b>	<b>682,079</b>	<b>69,720</b>	<b>100,000</b>	<b>51,654</b>	<b>114,213</b>	<b>83,625</b>	<b>456,227</b>	<b>2,893,773</b>

(1) For current employees, 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) For executive Key Management Personnel, non-monetary benefits comprise car parking, professional memberships and living away from home travel expenses.

(4) Represents car parking, mobile phone, and other administrative benefits.

(5) Ms Gleeson appointed as a Director on 18 May 2015.

(6) Mr Moroney appointed as a Director on 16 March 2015.

(7) Ms Scotland resigned as a Director 26 January 2015. Ms Scotland has directed for her fees to be paid to nominated charities.

(8) Mr Bailey resigned as a Director on 30 June 2015.

(9) Mr Wise resigned as Non-Executive Chairman on 30 June 2015.

(10) Mr Netscher appointed as Non-Executive Chairman 1 July 2015.

(11) Mr Kennedy's role was made redundant on 28 March 2014 and he ceased employment 30 September 2014.

(12) Ms Romeyn's role as Executive General Manager People and Business Services was made redundant on 28 November 2014.

(13) Mr Vassie appointed as MD & CEO on 1 July 2014.

(14) 833,333 shares issued to the Managing Director and CEO on 8 December 2014 (AGM resolution 4).

(15) In addition to the leave expense accrued in the year, R.Kennedy and K.Romeyns' outstanding leave balances of \$134,164 and \$97,712 respectively were paid on termination.

## Directors' Report

## Remuneration Report (audited)

*(a) Non-Executive Directors Fees*

Non-Executive Director fees for the 2016 financial year were determined, both as to their composition (for base fees and committee work) and overall level, based on information from Aon Hewitt McDonald.

Non-Executive Director fees were last increased effective 1 July 2012. As part of Group wide cash management measures, Non-Executive Directors fees were reduced by 10% effective from 1 March 2014. The increase in statutory superannuation from 1 July 2014 was absorbed within the existing level of Directors fees.

Director fees for the 2016 financial year were unchanged from the 2015 financial year and comprised:

- Director fees of \$90,000
- an allowance for chairing a Board Committee of \$15,750
- a fee for serving as a member of a Board Committee of \$7,650
- Chairman's fee of \$223,200 (inclusive of all Board Committee commitments). 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.

*(b) Non-Executive Directors Fees**(i) Fixed Remuneration - Base salary*

In considering remuneration for senior executives for the 2016 financial year, the Remuneration Committee considered reports from Aon Hewitt McDonald, as well as industry trend data and other relevant remuneration information. There was no increase to senior executive base salary during the previous (i.e. 2015) financial year.

The Managing Director and CEO, Mr Bob Vassie, commenced with the Company on 1 July 2014 on a fixed remuneration at that time of approximately 20% less than his predecessor. The quantum of the allocation of performance rights to the Managing Director and CEO under the FY15 LTI was reduced by 25% from the prior year.

In accordance with the terms of the Managing Director & CEO's initial employment contract, his TFR increased by \$100,000 p.a. from 1 July 2015.

*(b) Senior Executive Remuneration (continued)**(ii) Performance Linked Remuneration Five Year History*

Performance Linked Remuneration	2012	2013	2014	2015	2016
% of maximum potential STI earned	92%	40%	0%	66%	99%
% of maximum potential LTI earned	0%	0%	0%	0%	67%

*(iii) Performance Linked Remuneration - Short term incentives (STI)*

The table below describes the Short Term Incentives available to, and achieved by, executive Key Management Personnel during the year. Amounts shown as "Actual STI" represent the amounts accrued in relation to the 2016 financial year, based on achievement of the specified performance criteria. No additional amounts vest in future years in respect of the STI scheme for the 2016 financial year. The Board has discretion whether to pay an STI in any given year, irrespective of whether Company and Individual STI targets have been achieved. The Board did not apply discretion to the calculation of the 2016 STI.

2016	Maximum potential STI		Actual STI included in remuneration	% of maximum potential total STI earned	% of maximum potential total STI foregone
	Target \$	Stretch <sup>(1)</sup> \$	\$		
R S Vassie	375,263	750,525	750,525	100%	0%
G Campbell-Cowan	195,292	390,584	382,772	98%	2%

(1) Inclusive of STI "Target"

STIs are structured to remunerate senior executives for achieving annual Group targets as well as their own individual performance targets designed to favourably impact the business, which for senior executives are weighted 70% to Company STI measures and 30% to personal STI measures.

## Directors' Report

## Remuneration Report (audited)

The Company STI measures for the 2016 financial year were equally weighted and comprised the following:

STI Target	Weighting	Result	% of maximum achieved
(a) Achieve Total Recordable Injury Frequency Rate of 4.5 and no fatalities	33⅓%	TRIFR of 2.1 achieved with no fatalities, above stretch target (4.0)	100%
(b) Achieve gold production of 350,000 ounces	33⅓%	386,564 ounces produced, above stretch target (370,000 oz)	100%
(c) Achieve consolidated All In Sustaining Costs of A\$1,055/oz	33⅓%	AISC A\$933/oz achieved, better than stretch target (A\$995/oz)	100%
(d) Discretionary factor determined by the Board, designed to take into account unexpected events and achievements during the year		Discretion not applied	-
Overall Company STI Performance			100%

Individual STI performance measures were aligned with the Company strategy and varied according to the individual senior executive's responsibilities, and for the 2016 financial year comprised the following:

Executive	Individual STI performance measures	% of maximum achieved
MD & CEO	<ul style="list-style-type: none"> <li>Leadership in design and execution of strategy</li> <li>Development of organic growth opportunities</li> </ul>	100%
CFO	<ul style="list-style-type: none"> <li>Active participation in and support of strategy</li> <li>Generation of value through procurement initiatives</li> <li>Effective capital management and debt reduction</li> </ul>	93%

(iv) Performance Linked Remuneration - Long term incentives (LTI)

*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 key management person, including their related parties, and the number of rights that vested, are set out below:

2016	Grant Date	Held at 1 July 2015	Granted as compensation	Vested during the year	Forfeited during the year	Held at 30 June 2016 <sup>(1)</sup>	Financial year in which grant may vest
R S Vassie	9 Dec 2014	4,062,500	-	-	-	4,062,500	2017
	10 Dec 2015	-	1,104,674 <sup>(2)</sup>	-	-	1,104,674	2018
G Campbell-Cowan	29 Nov 2013	597,190	-	400,117	197,073	-	2016
	9 Dec 2014	2,438,525	-	-	-	2,438,525	2017
	10 Dec 2015	-	575,291	-	-	575,291	2018

(1) The vesting of rights held at 30 June 2016 is subject to future performance conditions.

(2) Approved by shareholders at the Annual General Meeting held on the 27 November 2015.

*Rights granted in 2016*

Details on rights over ordinary shares in the Company that were granted as remuneration to each key management person in the 2016 financial year are as follows:

2016	Number of performance rights granted during 2016	Issue price per performance right	Grant date	Expiry date	Fair value per performance right at grant date (\$ per share) <sup>(1)</sup>
R S Vassie	1,104,674 <sup>(2)</sup>	\$0.5092	10 Dec 2015	30 Jun 2018	\$0.94
G Campbell-Cowan	575,291	\$0.5092	10 Dec 2015	30 Jun 2018	\$0.94

(1) The 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. 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 27 November 2015.

## Directors' Report

## Remuneration Report (audited)

*Valuation of Performance Rights*

The assessed fair value at the grant date of performance rights is allocated equally over the period from grant date to vesting date. Fair values at grant date are based on the prevailing market price on the date the performance right is granted.

A Monte Carlo simulation is performed to determine the probability of the market conditions associated with the performance rights being met. The probability estimated by the Monte Carlo simulation is then applied to the fair value. For performance rights issued during the year ended 30 June 2016 (FY16 Performance Rights), taking into account the impact of the market condition (as discussed above), the estimated fair value was, for accounting purposes, \$0.94.

*Summary of LTI performance right tranches relevant to the 2016 financial year*

FY 14 Performance Rights	<ul style="list-style-type: none"> <li>granted as compensation in 2014 and disclosed in the 2014 Remuneration Report</li> <li>three-year vesting period ended on 30 June 2016 and assessed below</li> <li>measures <ul style="list-style-type: none"> <li>Relative Total Shareholder Return (33⅓%)</li> <li>Increase in Ore Reserves (33⅓%)</li> <li>Return on Capital Employed (33⅓%)</li> </ul> </li> </ul>
FY 15 Performance Rights	<ul style="list-style-type: none"> <li>granted as compensation in 2015 and disclosed in the 2015 Remuneration Report</li> <li>three-year vesting period ending on 30 June 2017 (to be assessed in the 2017 Remuneration Report)</li> <li>measures <ul style="list-style-type: none"> <li>Relative Total Shareholder Return (67%)</li> <li>Return on Capital Employed (33%)</li> </ul> </li> </ul>
FY16 Performance Rights	<ul style="list-style-type: none"> <li>granted as compensation in 2016 and disclosed in the 2016 Remuneration Report (below)</li> <li>three-year vesting period ending on 30 June 2018 (to be assessed in the 2018 Remuneration Report)</li> <li>measures <ul style="list-style-type: none"> <li>Relative Total Shareholder Return (67%)</li> <li>Return on Capital Employed (33%)</li> </ul> </li> </ul>

*Details of FY 14 Performance Rights ended 30 June 2016*

The vesting period for the FY14 Performance Rights ended on 30 June 2016. The criteria for the FY14 Performance Rights were published in the Notice of 2013 Annual General Meeting and 2014 Remuneration Report, and comprised of three equally weighted performance measures over the 3 year period from 1 July 2013 to 30 June 2016 being:

- Relative Total Shareholder Return
- Increase in Ore Reserves
- Return on Capital Employed

*Calculation of the number of FY14 Performance Rights vested*

- (a) *Relative Total Shareholder Return*  
Weighting: 33⅓%  
Actual score: 83<sup>rd</sup> percentile with a TSR of 489% (details below)  
Calculation: 100% (for achieving above the 75th percentile)
- (b) *Increase in Ore Reserves*  
Weighting: 33⅓%  
Actual score: negative growth (details below)  
Calculation: 0% (for achieving below the 50<sup>th</sup> percentile)
- (c) *Return on Capital Employed (ROCE)*  
Weighting: 33⅓%  
Actual ROCE: 25.8% (details below)  
Calculation: 100% (for achieving above upper threshold of WACC 13.9% +7% = 20.9%)
- (d) *Combined score*  
 $(100\% \times 33\frac{1}{3}\%) + (0\% \times 33\frac{1}{3}\%) + (100\% \times 33\frac{1}{3}\%) = 67\%$

As a result, 400,117 (67%) of the 597,190 FY14 Performance Rights available to executive management vested at 30 June 2016 with the remaining 197,073 (33%) lapsed at 30 June 2016. Details are shown in table earlier in this section titled '*Rights Vested and On Issue*'.



The result of the Relative TSR component of the FY14 Performance Rights for the period 1 July 2013 to 30 June 2016 was:

Relative TSR Performance	Percentage of Performance Rights to vest	Result
Below 50 <sup>th</sup> percentile	0%	St Barbara achieved a TSR of 489% for the period, and ranked at the 83 <sup>rd</sup> percentile for the period, above the 75th percentile upper threshold.
50 <sup>th</sup> percentile	50%	
Between 50 <sup>th</sup> & 75 <sup>th</sup> percentiles	Pro-rata between 50% & 100%	
75 <sup>th</sup> percentile and above	100%	As a result, 100% of the Performance Rights linked to RTSR vested.

The comparator group of companies for the FY14 Performance Rights comprised:

Evolution Mining Limited (ASX: EVN)	Medusa Mining Limited (ASX: MNL)	Regis Resources Limited (ASX: RRL)
Focus Minerals Ltd (ASX: FML)	Northern Star Resources Ltd (ASX: NST)	Saracen Mineral Holdings Limited (ASX: SAR)
Kingsgate Consolidated Limited (ASX: KCN)	OceanaGold Corporation (ASX: OGC)	Silver Lake Resources Limited (ASX: SLR)
Kingsrose Mining Limited (ASX: KRM)	Ramelius Resources Limited (ASX: RMS)	Tanami Gold NL (ASX: TAM)

The result of the Increase in Ore Reserves component of the FY14 Performance Rights for the period 1 July 2013 to 30 June 2016 was:

Increase in Ore Reserves (net of production)	Percentage of Performance Rights to vest	Result
Negative growth	0%	Largely due to the Corporate need to significantly reduce exploration expenditure in FY14 and FY15, St Barbara reported negative growth in Ore Reserves for the vesting period ending 30 June 2016, below the 'depletion replaced' threshold.  An increase in Ore Reserves has been reported in the 2016 Ore Reserves and Mineral Resources Statement issued concurrently with this report.
Depletion replaced	50%	
20% increase	100%	

The result of the ROCE component over the three year vesting period commencing 1 July 2013 and ending on 30 June 2016 was:

ROCE	Percentage of Performance Rights to vest	Result
Less than or equal to the average annual weighted average cost of capital (WACC) over the three year period commencing on 1 July 2013	0%	St Barbara achieved a ROCE for the period of 25.6% (see calculation below), which is above the upper threshold of WACC for the period of 13.9% + 7% = 20.9%.
WACC (calculated as above) + 3%	50%	
WACC (calculated as above) + 7%	100%	As a result, 100% of the Performance Rights linked to ROCE vested

## Directors' Report

## Remuneration Report (audited)

## Return on Capital Employed (ROCE)

Return on Capital Employed (ROCE) is calculated as EBIT before significant items expressed as a percentage of average total capital employed (net debt and total equity)<sup>1</sup>.

Measure	2014	2015	2016
EBIT (excluding significant items)	19,354 <sup>2</sup>	99,010	204,585
EBIT (discontinued operations) <sup>3</sup>	<u>(47,624)</u>	<u>18,528</u>	<u>-</u>
EBIT (sum of above)	(28,270)	117,538	204,585
Capital employed – opening balance			
Total equity	623,227	131,812	140,429
Net debt <sup>4</sup>	<u>210,709</u>	<u>260,169</u>	<u>270,090</u>
Capital employed – opening balance	833,936	391,981	410,519
Capital employed – closing balance			
Total equity	542,368 <sup>5</sup>	140,429	300,614
Net debt <sup>5</sup>	<u>260,169</u>	<u>270,090</u>	<u>89,629</u>
Capital employed – closing balance	802,537	410,519	390,243
Capital employed – average for period	818,237	401,250	400,381
ROCE (EBIT ÷ average total capital employed) for year	(3.5%)	29.3%	51.1%
ROCE average of the 3 individual years			25.6%

## Weighted average cost of capital (WACC)

Weighted average cost of capital (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)<sup>6</sup>.

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 is 13.9%.

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

2 As restated in 2015 Annual Report

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

4 Net debt comprises cash and cash equivalents, interest bearing borrowings – current and interest bearing borrowings – non-current

5 Book value \$131,813,000 restated to include FY14 impairments of \$410,556,000

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

## Directors' Report

## Remuneration Report (audited)

Details of FY 15 Performance Rights granted as compensation in 2015, ending 30 June 2017

Performance rights issued in 2015 ('FY15 Performance Rights') were granted under the St Barbara Limited Rights Plan (2010), and details of the performance conditions were set out in the Notice of 2014 Annual General Meeting and 2015 Remuneration Report. The vesting period for the FY15 Performance Rights is for three years from 1 July 2014 to 30 June 2017. The criteria for the FY15 Performance Rights comprised of two performance measures over the 3 year period from 1 July 2014 to 30 June 2017 being:

- Relative Total Shareholder Return (67%)
- Return on Capital Employed (33%).

The outcome of these rights will be reported in the 2017 Annual report.

Details of FY 16 Performance Rights granted as compensation in 2016, ending 30 June 2018

Performance rights issued in 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. Performance rights issued to Mr Vassie, Managing Director & CEO, were also approved by shareholders at the 2015 Annual General Meeting.

Key Features of FY16 Performance Rights

Vesting conditions	Performance conditions for the three year period commencing 1 July 2015 to 30 June 2018 as set out below, relating to: <ul style="list-style-type: none"> <li>• Relative Total Shareholder Returns (67% weighting); and</li> <li>• Return on capital employed in excess of the weighted average cost of capital (33% weighting).</li> </ul>
Other conditions	Include continuing employment
Issue price	10 day VWAP at start, 30 June 2015, \$0.5092
Vesting date	30 June 2018

Details of FY16 Performance Rights

The vesting of performance rights granted in respect of the FY16 Performance Rights is subject to continuing employment as at the vesting date of 30 June 2018, and satisfying performance conditions measured over a three year vesting period from 1 July 2015 to 30 June 2018 as set out below.

- (i) *Performance rights pricing*  
The issue price of the performance rights is based on the 10 day volume weighted average price (VWAP) on the ASX of the Company's share price up to, and including, the last business day of the financial period immediately preceding the period that the performance rights relate to.

FY16 Performance Rights are priced at \$0.5092 per right, based on the 10 day VWAP up to and including 30 June 2015.

- (ii) *Performance conditions*  
The performance conditions for FY16 Performance Rights will be measured over a three year vesting period ending on 30 June 2018. Vesting conditions include continuing employment as at the vesting date of 30 June 2018 and satisfying conditions relating to:

- Relative Total Shareholder Returns (67% weighting); and
- Return on Capital Employed in excess of the weighted average cost of capital (33% weighting).

- (iii) *Percentage of relevant total fixed remuneration offered as LTIs for the 2016 financial year*

Managing Director and Chief Executive Officer	75%
Executive General Managers	60%
General Managers	45%

The Board has the discretion to vary the relevant percentage each year, having regard to external advice and / or relevant market benchmarks.

- (iv) *An example of how performance rights are calculated for the 2016 financial year (assuming the maximum award level) is set out below:*

Executive Level 5 Total Fixed Remuneration (TFR)	\$400,000 (for illustration only)
LTI award value 60% of TFR	\$240,000 (i.e. 60% of TFR)
Performance rights issue price (10 day VWAP)	\$0.5092
Performance rights to be granted (\$240,000 ÷ 0.5092)	471,328 rights

- (v) *Relative TSR*

The Relative Total Shareholder Return (Relative TSR) 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.

The comparator group of companies for FY16 Performance Rights comprises:

Company	
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)

At the discretion of the Board, the composition of the comparator group may change from time to time.

## Directors' Report

## Remuneration Report (audited)

TSR measures the growth for a financial year in the price of shares plus cash distributions notionally reinvested in shares. Company and comparator TSR performances are measured using 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, and in determining the closing TSR performances at the end of the three year period. Relative TSR performance is calculated at a single point in time and is not subject to re-testing. Where a comparator company ceases to be listed on the ASX during the vesting period, the corresponding TSR is adjusted, taking into account the period the ceasing company was listed and the average TSR of the remaining comparator companies.

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%

(vi) *Return on Capital Employed (ROCE)*

The proportion of the 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 as outlined below:

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%

(vii) *Example of calculation of the number of FY16 Performance Rights to vest*

Assuming the following measures over the three year vesting period ending 30 June 2018:

- Relative TSR: 70%
- ROCE WACC + 4%

then the following proportion of performance rights will vest:

- (a) *Relative TSR*  
 Weighting: 67%  
 Actual score: 70<sup>th</sup> percentile  
 Calculation: 50% (for achieving the 50<sup>th</sup> percentile)  
 $+ ((70\% - 50\%) \div (75\% - 50\%)) \times (100\% - 50\%)$   
 $= 90\%$
- (b) *Return on Capital Employed (ROCE)*  
 Weighting: 33%  
 Actual ROCE: WACC + 4%  
 Calculation: 50% (for achieving the 50<sup>th</sup> percentile)  
 $+ ((4\% - 3\%) \div (7\% - 3\%)) \times (100\% - 50\%)$   
 $= 62.5\%$
- (c) *Combined score*  
 $(90\% + 67\%) + (62.5\% \times 33\%) = 80.9\%$

Using the above example of an senior executive being issued with 471,328 performance rights based on the above 80.9% combined score, 381,304 (=80.9% x 471,328) performance rights would vest.

## Directors' Report

## Remuneration Report (audited)

Share holdings

The numbers of shares in the Company held directly, indirectly or beneficially during the year by each key management person, 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
<i>Non-Executive Directors</i>							
T C Netscher		-	-	-	-	-	-
D Moroney		100,000	-	-	-	-	100,000
K Gleeson		-	-	-	-	-	-
<i>Executive Director</i>							
R S Vassie		1,769,053	-	-	-	-	1,769,053
<i>Senior Executives</i>							
G Campbell-Cowan		15,000	-	-	-	-	15,000

Loans to Directors and senior executives

There were no loans to Directors or senior executives during the financial year 2016.

**END OF REMUNERATION REPORT**

## Directors' 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.

With the sale of Gold Ridge Mining Limited in the Solomon Islands in May 2015, the divestment of the King of the Hills mine and Kailis project and ongoing rehabilitation work undertaken at Leonora Operations, the rehabilitation liability of the Group has been substantially reduced in the years ended 30 June 2015 and 2016. The Group is committed to the rehabilitation of areas at closed sites previously disturbed by mining and exploration within its tenements in Western Australia.

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 2016 at any of the Group's Australian and Pacific sites.

### Non-audit services

During the year the Company did employ the auditor on an assignment in addition to their statutory audit duties. Details of the amounts paid or payable to the auditor, KPMG, for non-audit services provided during the 2016 financial year are set out in Note 20 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 is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 20 to the financial statements, 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 KPMG 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 KPMG.

### Auditor independence

A copy of the Auditor's Independence Declaration required under section 307C of the Corporations Act 2001 is set out on page 34 and forms part of this Director's Report.

### Events occurring after the end of the financial year

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected or may significantly affect in future years the Company's operations, the results of those operations or the state of affairs, except that on 18 July 2016 the Company repurchased A\$55,531,000 (US\$40,280,000) of aggregate principal of its US 144A Senior Secured Notes. The notes were purchased at a 3.3% premium to par value. Following the repurchase, the principal US Senior Secured Notes outstanding was US\$127,695,000.

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**Directors' Report****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 23<sup>rd</sup> day of August 2016

A handwritten signature in black ink, appearing to read 'Bob Vassie', is written over a light grey rectangular background.

**Bob Vassie**

**Managing Director and CEO**





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

To: the directors of St Barbara Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'KPMG' or 'Tony Romeo'.

KPMG

A handwritten signature in black ink, appearing to read 'Tony Romeo'.

Tony Romeo  
Partner

Melbourne

23 August 2016

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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## Financial Report

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## 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 2016 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 2016.

## What's new 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. To provide users with a clearer understanding of what drives financial performance of the Group, the structure of the financial report has changed from prior years, in particular:

- removing immaterial disclosures that may distract from the usefulness of the financial report by obscuring important information; and
- reorganising the notes into 6 distinct sections to assist users in understanding the Group's performance.

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 have been moved to 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

## Financial Report

**Income statement**  
 for the year ended 30 June 2016

	Notes	CONSOLIDATED	
		2016 \$'000	2015 \$'000
<b>Continuing operations</b>			
Revenue	1	610,115	548,206
Mine operating costs	1	(280,927)	(311,701)
<b>Gross profit</b>		<b>329,188</b>	236,505
Other revenue		1,994	1,782
Other income		3,564	79
Exploration expensed		(6,786)	(7,691)
Corporate costs		(19,184)	(20,284)
Royalties	1	(21,455)	(20,231)
Depreciation and amortisation	5	(80,915)	(85,071)
Other expenses		(1,967)	(9,705)
Net gain on disposal of assets		14,570	1,424
Rehabilitation provision		-	(5,896)
Impairment losses and asset write-downs		-	(11,425)
<b>Operating profit</b>		<b>219,009</b>	79,487
Finance costs	12	(35,749)	(43,300)
Net foreign exchange gain/(loss)		142	(15,350)
Net realised gain on derivatives		-	1,407
<b>Profit before income tax</b>		<b>183,402</b>	22,244
Income tax expense	2	(14,014)	(1,090)
<b>Profit from continuing operations (net of tax)</b>		<b>169,388</b>	21,154
Profit from discontinued operations (net of tax)		-	18,528
<b>Profit attributable to equity holders of the Company</b>		<b>169,388</b>	39,682
<b>Earnings per share for continuing and discontinued operations:</b>			
Basic earnings per share (cents per share)	4	34.21	8.05
Diluted earnings per share (cents per share)	4	32.70	7.83
<b>Earnings per share for continuing operations:</b>			
Basic earnings per share (cents per share)	4	34.21	4.29
Diluted earnings per share (cents per share)	4	32.70	4.18

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

## Financial Report

# Statement of comprehensive income

for the year ended 30 June 2016

	Notes	CONSOLIDATED	
		2016 \$'000	2015 \$'000
<b>Profit for the year</b>		<b>169,388</b>	39,682
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit:			
Changes in fair value of available for sale financial assets		(13)	(6)
Loss on closure of cash flow hedge		-	(1,407)
Income tax on other comprehensive income		1,204	9,386
Foreign currency translation differences - foreign operations		(11,322)	(40,151)
<b>Other comprehensive loss net of tax<sup>(1)</sup></b>		<b>(10,131)</b>	(32,178)
<b>Total comprehensive income attributable to equity holders of the Company</b>		<b>159,257</b>	7,504

(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.

## Financial Report

## Balance sheet

as at 30 June 2016

	Notes	CONSOLIDATED	
		2016 \$'000	2015 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	136,689	76,871
Trade and other receivables	10	8,286	9,924
Inventories	10	58,164	52,272
Available for sale financial assets		56	66
Deferred mining costs	6	4,446	12,829
<b>Total current assets</b>		<b>207,641</b>	<b>151,962</b>
<b>Non-current assets</b>			
Trade and other receivable	10	2,366	-
Property, plant and equipment	5	162,448	170,045
Deferred mining costs	6	11,271	4,525
Mine properties	7	179,884	211,989
Exploration and evaluation	8	25,975	16,969
Mineral rights	7	19,785	23,407
Deferred tax assets	2	3,267	13,985
<b>Total non-current assets</b>		<b>404,996</b>	<b>440,920</b>
<b>Total assets</b>		<b>612,637</b>	<b>592,882</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	39,768	42,895
Interest bearing borrowings	12	3,201	52,428
Rehabilitation provision	9	493	2,424
Other provisions	18	10,519	14,589
<b>Total current liabilities</b>		<b>53,981</b>	<b>112,336</b>
<b>Non-current liabilities</b>			
Interest bearing borrowings	12	223,117	294,533
Rehabilitation provision	9	28,095	39,663
Deferred tax liabilities	2	2,169	-
Other provisions	18	4,661	5,921
<b>Total non-current liabilities</b>		<b>258,042</b>	<b>340,117</b>
<b>Total liabilities</b>		<b>312,023</b>	<b>452,453</b>
<b>Net Assets</b>		<b>300,614</b>	<b>140,429</b>
<b>Equity</b>			
Contributed equity	13	887,216	887,216
Reserves		(58,639)	(49,436)
Accumulated losses		(527,963)	(697,351)
<b>Total equity</b>		<b>300,614</b>	<b>140,429</b>

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

## Financial Report

## Statement of changes in equity

for the year ended 30 June 2016

		Contributed Equity 000's	Foreign Currency Translation Reserve 000's	Other Reserves 000's	Retained Earnings 000's	Total 000's
	Note					
Balance at 1 July 2014		886,242	(18,272)	1,284	(737,442)	131,812
<i>Transactions with owners' of the Company recognised directly in equity:</i>						
Share-based payments expense	19	-	-	139	-	139
Unlisted options expired		-	-	(409)	409	-
Equity Issue (net of transaction costs)		974	-	-	-	974
<i>Total comprehensive income for the year</i>						
Gain attributable to equity holders of the Company		-	-	-	39,682	39,682
Other comprehensive loss		-	(31,187)	(991)	-	(32,178)
Balance at 30 June 2015		887,216	(49,459)	23	(697,351)	140,429
<b>Balance at 1 July 2015</b>		<b>887,216</b>	<b>(49,459)</b>	<b>23</b>	<b>(697,351)</b>	<b>140,429</b>
<i>Transactions with owners' of the Company recognised directly in equity:</i>						
Share-based payments expense	19	-	-	928	-	928
<i>Total comprehensive income for the year</i>						
Gain attributable to equity holders of the Company		-	-	-	169,388	169,388
Other comprehensive loss		-	(10,118)	(13)	-	(10,131)
<b>Balance at 30 June 2016</b>		<b>887,216</b>	<b>(59,577)</b>	<b>938</b>	<b>(527,963)</b>	<b>300,614</b>

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



## Financial Report

## Cash flow statement

for the year ended 30 June 2016

	Notes	Consolidated	
		2016 \$'000	2015 \$'000
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers (inclusive of GST)		615,244	555,823
Payments to suppliers and employees (inclusive of GST)		(336,805)	(407,508)
Payments for exploration and evaluation		(6,786)	(7,383)
Interest received		1,910	1,571
Interest paid		(30,405)	(28,682)
Finance charges – finance leases		(225)	(471)
Borrowing costs paid		(145)	(149)
<b>Net cash inflow from operating activities</b>	12	<b>242,788</b>	113,201
<b>Cash Flows From Investing Activities:</b>			
Proceeds from sale of property, plant and equipment		12	106
Payments for property, plant and equipment		(16,057)	(23,762)
Payments for development of mining properties		(21,071)	(24,705)
Payments for exploration and evaluation		(9,006)	(2,241)
<b>Net cash outflow from investing activities</b>		<b>(46,122)</b>	(50,602)
<b>Cash Flows From Financing Activities:</b>			
Movement in restricted cash		1,966	(507)
Red Kite loan repayments		(102,073)	-
Secured notes repayments		(37,798)	(66,831)
Principal repayments - finance leases		(2,225)	(4,003)
<b>Net cash outflow from financing activities</b>		<b>(140,130)</b>	(71,341)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>56,536</b>	(8,742)
Cash and cash equivalents at the beginning of the year		76,871	79,407
Net movement in foreign exchange rates		3,282	6,206
<b>Cash and cash equivalents at the end of the year</b>	12	<b>136,689</b>	76,871

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.

## Notes to the Financial Report

## A. Key results

## 1 Segment information

	Leonora		Simberi		Total continuing segment		Total discontinued segment	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Gold Revenue	439,593	434,189	169,277	112,215	608,870	546,404	-	4,375
Silver Revenue	740	1,496	505	306	1,245	1,802	-	-
Total Revenue	440,333	435,685	169,782	112,521	610,115	548,206	-	4,375
Mine operating costs	(161,117)	(209,230)	(119,810)	(102,471)	(280,927)	(311,701)	-	(19,584)
Gross profit	279,216	226,455	49,972	10,050	329,188	236,505	-	(15,209)
Royalties <sup>(1)</sup>	(17,608)	(17,656)	(3,847)	(2,575)	(21,455)	(20,231)	-	(278)
Impairment losses	-	(11,425)	-	-	-	(11,425)	-	-
Depreciation and amortisation	(63,492)	(69,837)	(12,098)	(10,038)	(75,590)	(79,875)	-	-
Other income and expenses discontinued ops	-	-	-	-	-	-	-	3,694
Rehabilitation expenses	-	(5,896)	-	-	-	(5,896)	-	-
Net gain/(loss) on disposal of assets	14,673	-	(103)	-	14,570	-	-	-
Segment profit/(loss) before income tax	212,789	121,641	33,924	(2,563)	246,713	119,078	-	(11,793)
Capital expenditure								
Sustaining	(27,065)	(38,974)	(9,402)	(9,111)	(36,467)	(48,085)	-	-
Growth <sup>(3)</sup>	(9,006)	(2,241)	-	-	(9,006)	(2,241)	-	-
Total capital expenditure	(36,071)	(41,215)	(9,402)	(9,111)	(45,473)	(50,326)	-	-
Segment assets <sup>(2)</sup>	317,514	356,675	146,666	129,274	464,180	485,949	-	-
Segment non-current assets <sup>(2)</sup>	285,786	334,556	101,119	99,122	386,905	433,678	-	-
Segment liabilities <sup>(2)</sup>	22,670	37,689	35,428	20,424	58,098	58,113	-	-

(1) Royalties include state and government royalties and corporate royalties

(2) Represents the reportable segment balances after asset impairment and write down charges.

(3) Growth capital at Leonora represents deep drilling expenditure at Gwalia 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, and for which financial information is available.

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.

## 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	
	2016 \$'000	2015 \$'000	2016 %	2015 %
Customer A	296,399	306,990	48.7	56.0
Customer B	262,384	207,478	43.1	37.8

## Notes to the Financial Report

**1 Segment information (continued)**

<b>Continuing operations</b>	<b>Consolidated</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Total profit for reportable segments	<b>246,713</b>	119,078
Other income and revenue	<b>5,558</b>	3,285
Exploration expensed	<b>(6,786)</b>	(7,691)
Unallocated depreciation and amortisation	<b>(5,325)</b>	(5,196)
Finance costs	<b>(35,749)</b>	(43,300)
Amortisation of realised gain on settled hedges	-	1,407
Corporate costs	<b>(19,184)</b>	(20,284)
Net foreign exchange gain/(loss)	<b>142</b>	(15,350)
Other expenses	<b>(1,967)</b>	(9,705)
<b>Consolidated profit before income tax – continuing operations</b>	<b>183,402</b>	22,244

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.

<b>Assets</b>		
Total assets for reportable segments	<b>464,180</b>	485,949
Cash and cash equivalents	<b>134,081</b>	76,871
Trade and other receivables (current)	<b>7,500</b>	9,924
Trade and other receivables (non-current)	<b>2,366</b>	-
Available for sale financial assets	<b>56</b>	66
Property, plant & equipment	<b>4,454</b>	6,087
Deferred tax assets	-	13,985
<b>Consolidated total assets</b>	<b>612,637</b>	<b>592,882</b>

<b>Liabilities</b>		
Total liabilities for reportable segments	<b>58,098</b>	58,113
Trade and other payables	<b>16,049</b>	28,328
Interest bearing liabilities (current)	<b>3,030</b>	52,428
Provisions (current)	<b>8,051</b>	13,132
Interest bearing liabilities (non-current)	<b>223,117</b>	294,533
Provisions (non-current)	<b>1,509</b>	5,919
Deferred tax liabilities	<b>2,169</b>	-
<b>Consolidated total liabilities</b>	<b>312,023</b>	452,453

## Notes to the Financial Report

**2 Tax****Income tax expense**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Current tax expense/(benefit)	<b>41,277</b>	(1,356)
Under/(over) provision in respect of the prior year	<b>233</b>	(623)
Deferred income tax (benefit)/expense	<b>(27,496)</b>	3,069
<b>Total income tax expense for continued and discontinued operations</b>	<b>14,014</b>	1,090
Comprising of:		
Income tax expense for continued operations	<b>14,014</b>	1,090

**Numerical reconciliation of income tax expense to prima facie tax payable**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit before income tax	<b>183,402</b>	40,772
Tax at the Australian tax rate of 30%	<b>55,021</b>	12,232
Tax effect of amounts not deductible/(taxable) in calculating taxable income:		
Legal and other non-deductible expenditure	-	77
Equity settled share based payments	<b>279</b>	42
Sundry items	<b>(129)</b>	1,987
Recognition of previously unbooked deferred tax assets	<b>(3,344)</b>	(1,321)
Permanent differences on taxable income	<b>(1,162)</b>	882
Research and development incentive	<b>(630)</b>	(2,999)
Reversal of deferred tax assets relating to Gold Ridge disposal	-	(9,810)
Use of tax losses not previously recognised	<b>(7,474)</b>	-
Deferred tax assets recognised as a result of tax consolidation	<b>(18,796)</b>	-
Derecognition of deferred tax liabilities relating to foreign exchange on borrowings within the tax consolidated group	<b>(9,751)</b>	-
<b>Income tax expense</b>	<b>14,014</b>	1,090

**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 or loss 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**

When lodging the 30 June 2015 tax return, the Group elected to create an Australian tax consolidated group with effect from 1 July 2014. Entities in the tax consolidated group at 30 June 2016 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.

The creation of the tax consolidated group will enable the group to reduce compliance costs associated with lodging multiple returns, while also allowing the company to review and effectively manage its corporate and legal structure.

## Notes to the Financial Report

**2 Tax (continued)****Deferred tax balances**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred tax assets</b>		
Tax losses	<b>41,722</b>	117,988
Provisions and accruals	<b>40,169</b>	54,490
Investments at fair value	<b>224</b>	257
Unrealised foreign exchange losses	<b>64,560</b>	66,503
Property, plant and equipment	<b>21,105</b>	9,304
Other	<b>3,326</b>	-
<b>Total</b>	<b>171,106</b>	248,542
<b>Tax effect @ 30%</b>	<b>51,332</b>	74,563
<b>Deferred tax liabilities</b>		
Accrued income	<b>229</b>	295
Mine properties – exploration	<b>30,209</b>	22,113
Mine properties – development	<b>81,976</b>	108,528
Consumables	<b>52,123</b>	38,804
Capitalised convertible notes costs	<b>2,908</b>	4,060
Unrealised foreign exchange gains	-	28,126
<b>Total</b>	<b>167,445</b>	201,926
<b>Tax effect @ 30%</b>	<b>50,234</b>	60,578
<b>Net deferred tax balance</b>	<b>1,098</b>	13,985
<i>Comprising of:</i>		
Australia – net deferred tax (liabilities)/assets	<b>(2,169)</b>	13,985
PNG – net deferred tax assets	<b>3,267</b>	-
<b>Deferred tax assets have not been recognised in respect of the following items:</b>		
Tax losses – PNG Operations	<b>74,283</b>	265,246
Investments at fair value	-	6,293
Tax assets without a carrying amount	-	3,709
Property, plant and equipment	<b>192,433</b>	227,300
<b>Total</b>	<b>266,716</b>	502,548
<b>Tax effect @ 30%</b>	<b>80,015</b>	150,764

**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**

Estimates of future taxable profits are based on forecast cash flows from operations. At 30 June 2016 tax losses not recognised amounted to \$22,285,000 (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.

Judgement is also required in respect of the application of existing tax laws in each jurisdiction.

## Notes to the Financial Report

## 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.

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Continuing operations</b>		
Impairment losses	-	(11,425)
Increase in rehabilitation provision related to King of the Hills	-	(5,896)
Included within profit on disposal of asset <sup>(1)</sup> Gain on sale of King of the Hills and Kailis	<b>14,056</b>	-
Included within net foreign exchange gain/(loss)		
Effect of unhedged borrowings <sup>(2)</sup>	<b>(7,360)</b>	(47,470)
Unrealised foreign exchange gains <sup>(3)</sup>	<b>13,809</b>	42,805
Foreign exchange loss on the US debt repayments <sup>(4)</sup>	<b>(7,899)</b>	(13,066)
	<b>(1,450)</b>	(17,731)
<b>Total significant items for continuing operations – pre tax</b>	<b>12,606</b>	(35,052)
<b>Tax Effect</b>		
Tax effect of pre-tax significant items	<b>739</b>	14,242
Tax effect of the impact of tax consolidation <sup>(5)</sup>	<b>28,547</b>	-
<b>Total significant items for continuing operations – post tax</b>	<b>41,892</b>	(20,810)
<b>Discontinued operations</b>		
Profit on sale of Gold Ridge	-	29,554
Results from Gold Ridge Mining operations	-	(11,026)
<b>Total significant items for discontinued operations – pre tax</b>	-	18,528
<b>Total significant items for discontinuing operations – post tax</b>	-	18,528
<b>Total significant items – pre tax</b>	<b>12,606</b>	(16,524)
<b>Total significant items – post tax</b>	<b>41,892</b>	(2,282)

*(1) Gains on sale of King of the Hills and Kailis*

In September 2015, King of the Hills operations was divested, which resulted in a profit on disposal of \$14,056,000, mainly from the reversal of rehabilitation liabilities.

*(2) Effect of unhedged borrowings*

The group hedges the foreign exchange exposure of its US dollar functional currency Simberi assets against its US dollar denominated borrowings. Per AASB 121 the ineffective component of the hedge must be recognised in the Consolidated Income Statement. Additionally, the unrealised foreign exchange movement on the US dollar denominated borrowings not in a hedging relationship is recognised in the Consolidated Income Statement.

*(3) Unrealised foreign exchange gains*

The movement represent the unrealised gains on Australian and US denominated intercompany loans and third party balances reflected within the Consolidated Income Statement in accordance with Australian accounting standards AASB 121.

*(4) Foreign exchange loss on the US notes buy back*

Represents the realised foreign exchange loss on the buy back of US notes and repayment of the Red Kite loan during the 2016 financial year (US\$103,005,000/A\$141,446,000), previously translated at 30 June 2015 year end (A\$133,547,000), reflecting the devaluation of the Australian dollar against the US dollar in the year.

*(5) Tax Consolidation*

During the year, the Company formed an Australian tax consolidation group to reduce compliance costs, and to enable the Group to review and effectively manage its corporate and legal structure. The impact of tax consolidation was the recognition of a benefit of \$28,547,000 comprising \$18,796,000 related to deferred tax assets recognised as part of tax consolidation of the Australian group, and a further benefit of \$9,751,000 for the derecognition of deferred tax liabilities relating to unrealised foreign exchange gains on borrowings between companies within the tax consolidated group which had previously been recognised.



## Notes to the Financial Report

**4 Earnings per share**

	Consolidated 2016 Cents	2015 Cents
<b>Basic earnings per share</b>		
Continued operations	34.21	4.29
Discontinued operations	-	3.76
Continued and discontinued operations	34.21	8.05
<b>Diluted earnings per share</b>		
Continued operations	32.70	4.18
Discontinued operations	-	3.65
Continued and discontinued operations	32.70	7.83

**Reconciliation of earnings used in calculating earnings per share**

	Consolidated 2016 \$'000	2015 \$'000
Basic and diluted earnings per share:		
Profit after tax for the year - continuing operations	169,388	21,154
Profit after tax for the year – including discontinued operations	169,388	39,682

**Weighted average number of shares**

	Consolidated 2016 Number	2015 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	495,102,525	492,700,478
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	519,136,813	506,563,634

**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.

## Notes to the Financial Report

**B. Mining operations****5 Property, plant and equipment**

	<b>Consolidated</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	<b>\$'000</b>
<b>Land and buildings</b>		
At the beginning of the year	<b>18,100</b>	19,124
Additions	<b>1,529</b>	140
Depreciation (average 10-15 years)	<b>(1,937)</b>	(1,829)
Effects of movement in foreign exchange rates	<b>172</b>	665
At the end of the year	<b>17,864</b>	18,100
<b>Plant and equipment</b>		
At the beginning of the year	<b>151,945</b>	134,769
Additions	<b>14,687</b>	24,179
Disposals	<b>(1,703)</b>	(617)
Depreciation (average 3-10 years)	<b>(22,180)</b>	(20,160)
Effects of movement in foreign exchange rates	<b>1,835</b>	13,774
At the end of the year	<b>144,584</b>	151,945
<b>Total</b>	<b>162,448</b>	170,045

**Security**

As at 30 June 2016, plant and equipment with a carrying value of \$1,542,000 (2015: \$2,701,000) was pledged as security for finance leases. In accordance with the security arrangements the senior secured notes are secured by the assets of St Barbara Limited; the security does not include the assets of the Simberi operations.

**Reconciliation of depreciation and amortisation to income statement**

	<b>Consolidated</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	<b>\$'000</b>
<b>Depreciation</b>		
Land and buildings	<b>(1,937)</b>	(1,829)
Plant and equipment	<b>(22,180)</b>	(20,160)
<b>Amortisation</b>		
Mine properties	<b>(53,176)</b>	(61,119)
Mineral rights	<b>(3,622)</b>	(1,963)
<b>Total</b>	<b>(80,915)</b>	(85,071)

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.

## Notes to the Financial Report

**6 Deferred mining costs**

	<b>Consolidated</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
<b>Current</b>		
Deferred operating mine development	<b>4,446</b>	12,829
<b>Non-current</b>		
Deferred operating mine development	<b>11,271</b>	4,525

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 statement of financial position 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 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 at 30 June 2016.

**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.

## Notes to the Financial Report

**7 Mine properties and mineral rights**

	Consolidated	
	2016	2015
<b>Mine properties</b>	<b>\$'000</b>	<b>\$'000</b>
At beginning of the year	<b>211,989</b>	257,402
Direct expenditure	<b>21,071</b>	24,706
Amortisation for the year	<b>(53,176)</b>	(61,119)
Impairment losses and write downs	-	(9,000)
At end of the year	<b>179,884</b>	211,989

**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	
	2016	2015
<b>Mineral rights</b>	<b>\$'000</b>	<b>\$'000</b>
At the beginning of the year	<b>23,407</b>	25,370
Amortisation	<b>(3,622)</b>	(1,963)
At the end of the year	<b>19,785</b>	23,407

**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 reserve of the mine to which the rights relate.

## Notes to the Financial Report

## 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 CGU are assessed using fair value less cost to sell ('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. Costs to sell have been estimated by management

### Accounting judgements and estimates- Impairment

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.

	2017-2021	Long term 2022+
Gold (Real US\$ per ounce)	\$1,258/oz - \$1,314/oz	\$1,250/oz
Gold (Real A\$ per ounce)	\$1,737/oz - \$1,774/oz	\$1,785/oz
AUD:USD exchange rate	0.74 to 0.72	0.70
Post-tax real discount rate (%) – Australia	8.2	8.2
Post-tax real discount rate (%) – PNG	10.6	10.6

### 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 for the first five years of the valuation have regard to observable market data, including spot and forward values. Thereafter the estimate is interpolated to the long-term assumption, which is made with reference to market analysis.

### 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 valuation.

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.
- 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.

## Notes to the Financial Report

## 8 Exploration and evaluation

	Consolidated	
	2016 \$'000	2015 \$'000
<b>Non-current</b>		
At beginning of the year	16,969	15,036
Additions	9,006	2,241
Disposals	-	(308)
At end of the year	25,975	16,969

## Commitments for exploration

	Consolidated	
	2016 \$'000	2015 \$'000
<b>Exploration</b>		
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.	4,898	4,984

All exploration and evaluation expenditure incurred up to establishment of reserves 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 can be established. These estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the accounting policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.



## Notes to the Financial Report

## 9 Rehabilitation provision

	<b>Consolidated</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
<b>Current</b>		
Provision for rehabilitation	<b>493</b>	2,424
<b>Non-current</b>		
Provision for rehabilitation	<b>28,095</b>	39,663
	<b>28,588</b>	42,087
<b>Movements in Provisions</b>		
<b>Rehabilitation</b>		
Balance at start of year	<b>42,087</b>	63,872
Unwinding of discount	<b>1,707</b>	1,875
Reduction in net provisions made during the year <sup>(1)</sup>	<b>(14,008)</b>	(23,584)
Provisions used during the year	-	(92)
Effects of movements in the foreign exchange rate	<b>(1,198)</b>	16
Balance at end of year	<b>28,588</b>	42,087

- (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, the reduction prior year represents the elimination of Gold Ridge rehabilitation provision.

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.

## Notes to the Financial Report

## C. Capital and risk

## 10 Working Capital

## Trade and other receivables

	Consolidated	
	2016	2015
	\$'000	\$'000
<b>Current</b>		
Trade receivables	1,932	3,683
Other receivables	2,392	2,217
Restricted cash <sup>(1)</sup>	118	2,084
Prepayments	3,844	1,940
	8,286	9,924
<b>Non current</b>		
Other Receivables	2,366	-
<b>Total</b>	<b>10,652</b>	<b>9,924</b>

(1) Cash held on deposit with the Commonwealth Bank of Australia secures \$98,000 for bank guarantees as at 30 June 2016 (2015: \$98,000) and the remaining \$20,000 (2015: \$1,986,000) represents security provided to the National Australia Bank for bank guarantees in favour of various government authorities and service providers.

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 within the business is disclosed as 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 2016, there were no amounts receivable from Director related entities (2015: \$ nil).

## Inventories

	Consolidated	
	2016	2015
	\$'000	\$'000
Consumables	42,148	31,952
Ore stockpiles	649	8,369
Gold in circuit	9,565	8,517
Bullion on hand	5,802	3,434
	58,164	52,272

## Lower of cost and net realisable value

Bullion on hand of \$5,802,000 was valued at cost (2015: \$3,434,000).

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.

## Trade and other payables

	Consolidated	
	2016	2015
	\$'000	\$'000
<b>Current</b>		
Trade payables	39,346	41,157
Other payables	422	1,738
	39,768	42,895

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.

## Notes to the Financial Report

**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 at 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).

Currency risk relating to the net investment in foreign operations is hedged against the Group's USD borrowings. Exchange gains and losses upon subsequent revaluation of the designated USD denominated borrowings from the historical draw down rate to the reporting period end spot exchange rate are deferred in equity in the Foreign Currency Translation Reserve, and will be released to the income statement if the foreign operation is disposed of.

As at 30 June 2016, a portion of the total USD borrowings of US\$167,975,000 (2015: US\$270,980,000), translated at the year end USD:AUD foreign exchange rate to \$225,405,000 (2015: \$351,326,000), excluding capitalised transaction costs of \$2,838,000, were designated as a hedging instrument against the Group's net investment in foreign operations.

Interest on borrowings is denominated in the currency of the borrowing. The Group's USD interest exposure is mitigated through USD cash flows realised from gold sales, providing a natural currency hedge. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group buys and sells foreign currencies at spot rates when necessary.

The exchange rates at the close of the period were as follows:

Closing rate as at	AUD/USD	AUD/PGK
30 June 2016	0.7452	2.3216
30 June 2015	0.7713	2.0654

Exposure to currency	2016		2015	
	USD \$'000	PGK \$'000	USD \$'000	PGK \$'000
Cash and cash equivalents	58,625	4,747	887	-
Trade Receivables	216	288	2,205	1,179
Trade payables	(6,054)	(5,415)	(4,650)	(6,025)
Interest bearing liabilities	(168,102)	-	(270,980)	-
<b>Net Exposure</b>	<b>(115,315)</b>	<b>(380)</b>	<b>(272,358)</b>	<b>(4,846)</b>

**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	
	2016 \$'000	2015 \$'000
AUD/USD +10%	11,522	27,253
AUD/USD -10%	(11,522)	(27,253)

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.

## Notes to the Financial Report

**11 Financial risk management (continued)****(c) 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	2016 \$'000	2015 \$'000
Total shareholders' funds	300,614	140,429
Borrowings	226,318	346,961
Cash and cash equivalents	(136,689)	(76,871)
<b>Total capital</b>	<b>390,243</b>	<b>410,519</b>

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 been 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.

**(d) 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 \$1,714,000 of the trade receivables carrying amount at 30 June 2016 (2015: \$3,342,000), 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 2016 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.

**(e) 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 AUD\$100 per ounce and all other factors remaining constant, would have change post tax profit by \$15,935,000.

In accordance with the Group's financial risk management policies, the Group has managed commodity price risk from time to time using a combination of gold put options and gold call options to create zero-cost option collar structures and gold forward contracts as described below.

In February 2016, the Company entered into a zero cost collar with Goldman Sachs for 40,000 ounces of gold over the four-month period to June 2016 at a put price of US\$1,187 and call price of US\$1,287 per ounce. This hedge was entered into to manage US dollar gold price risk associated with repaying the Red Kite debt facility.

In March 2016, the Company entered into gold forward contracts for 50,000 ounces of gold at US\$1,260 per ounce over a six month period from July 2016 to December 2016. Gold forward contracts for a further 50,000 ounces at US\$1,338 per ounce from January 2017 to June 2017 were entered into during July 2016. These contracts were entered into to reduce the US dollar gold price risk associated with the future repayment of the remaining US Senior Secured Notes.

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 2016 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
US\$1,260/oz	50,000	50,000	-	-	-

*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 2016, 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.

## Notes to the Financial Report

**11 Financial risk management (continued)****(f) 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 2016, 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.

**(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.

## Notes to the Financial Report

## 11 Financial risk management (continued)

Fixed Interest Maturing in 2016						
	Floating Interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	Non- interest bearing \$'000	Total \$'000	Fair value
<b>Financial assets</b>						
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		
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	39,768	39,768	39,768
Finance lease liabilities	-	992	550	-	1,542	1,542
Premium insurance funding	-	2,209	-	-	2,209	2,209
Senior secured notes <sup>(1)</sup>	-	-	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		
<b>Net financial assets/(liabilities)</b>	<b>101,689</b>	<b>31,917</b>	<b>(223,117)</b>	<b>(33,022)</b>	<b>(122,533)</b>	<b>(128,193)</b>

## Fixed Interest Maturing in 2015

<b>Financial assets</b>						
Cash and cash equivalents	18,871	58,000	-	-	76,871	76,871
Restricted cash and cash equivalents	-	2,084	-	-	2,084	2,084
Receivables	-	-	-	5,900	5,900	5,900
Available for sale financial assets	-	-	-	66	66	66
	18,871	60,084	-	5,966	84,921	84,921
Weighted average interest rate	2.39%	2.84%	n/a	n/a		
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	42,895	42,895	42,895
Finance lease liabilities	-	3,809	1,450	-	5,259	5,259
Loans from other entities <sup>(2)</sup>	93,081	-	-	-	93,081	94,593
Senior secured notes <sup>(1)</sup>	-	-	248,621	-	248,621	252,620
	93,081	3,809	250,071	42,895	389,856	395,367
Weighted average interest rate	8.50%	6.63%	8.86%	n/a		
<b>Net financial assets/(liabilities)</b>	<b>(74,210)</b>	<b>56,275</b>	<b>(250,071)</b>	<b>(36,929)</b>	<b>(304,935)</b>	<b>(310,699)</b>

(1) Senior secured notes amount excludes \$2,551,000 (2015: \$4,920,000) of capitalised transaction cost and \$287,000 (2015: \$547,000) discount on notes.

(2) Loans from other entities at 30 June 2015 exclude \$4,157,000 of capitalised transactions costs.



## Notes to the Financial Report

**11 Financial risk management (continued)****(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.

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.

	Less than 12 months \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
<b>Maturity of financial liabilities – 2016</b>					
Senior Secured Notes <sup>(1)</sup>	20,004	245,410	-	265,414	222,567
Loans from other entities	-	-	-	-	-
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
	<b>63,128</b>	<b>245,975</b>	<b>-</b>	<b>309,103</b>	<b>266,086</b>
<b>Maturity of financial liabilities – 2015</b>					
Senior Secured Notes <sup>(1)</sup>	22,550	299,189	-	321,739	248,621
Loans from other entities	56,108	51,496	-	107,604	93,081
Finance lease liabilities	4,339	1,444	-	5,783	5,259
Trade and other payables	42,895	-	-	42,895	42,895
	<b>125,892</b>	<b>352,129</b>	<b>-</b>	<b>478,021</b>	<b>389,856</b>

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

## Notes to the Financial Report

## 12 Net debt

## Cash and cash equivalents

	Consolidated	
	2016	2015
	\$'000	\$'000
Cash at bank and on hand	101,689	18,871
Term deposits	35,000	58,000
	<b>136,689</b>	<b>76,871</b>

Cash and cash equivalents includes cash on hand, deposits held at call 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 2016 invested "at call" was earning interest at an average rate of 0.63% per annum (2015: 2.39% per annum).

*Term Deposits*

The deposits at 30 June 2016 were earning interest at rates of between 1.83% and 3.00% per annum (2015: rates of between 2.35% and 2.97% per annum). At 30 June 2016, the average time to maturity was 31 days (2015: 50 days), with \$nil maturing between 90 to 180 days (2015: \$nil) from balance date.

## Interest bearing liabilities

	Consolidated	
	2016	2015
	\$'000	\$'000
<b>Current</b>		
<b>Secured</b>		
Lease liabilities	992	3,809
Loans from other entities	-	48,619
Insurance premium funding	2,209	-
<b>Total current</b>	<b>3,201</b>	<b>52,428</b>
<b>Non-current</b>		
<b>Secured</b>		
Lease liabilities	550	1,450
Senior secured notes (net of transaction costs)	222,567	248,621
Loans from other entities	-	44,462
<b>Total non-current</b>	<b>223,117</b>	<b>294,533</b>
<b>Total interest bearing liabilities</b>	<b>226,318</b>	<b>346,961</b>

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. The senior secured notes are due 15 April 2018 with a coupon rate of 8.875% p.a. payable bi-annually. The notes were issued by St Barbara Limited and are secured by the Group's Australian assets; the security does not include the assets of the Simberi Operations. During the year ended 30 June 2016, Notes with a face value of US\$28,005,000 were bought back (2015: US\$54,020,000). A further US\$40,280,000 Notes at face value was bought back in July 2016. The USD value of the notes outstanding at reporting date is converted to AUD at the AUD/USD exchange rate as at 30 June 2016. The related unamortised transaction costs capitalised at 30 June 2016 against the borrowings amounted to \$2,838,000 and are being amortised over the period to 15 April 2018.

*Loans from other entities*

In March 2014, SBM executed a US\$75 million loan facility with RK Mine Finance. The first tranche of US\$52,775,000 was drawn down on 7 March 2014 to settle the Gold Prepayment Facility of US\$31,490,000 and to increase the cash position of the Group. The second tranche of US\$22,225,000 was drawn down on 30 May 2014. The facility was fully repaid during the year ended 30 June 2016.

## Profit before income tax includes the following specific expenses:

	Consolidated	
	2016	2015
	\$'000	\$'000
<i>Finance Costs</i>		
Interest paid/payable	28,383	36,708
Borrowing costs	5,434	4,246
Finance lease interest	225	471
Provisions: unwinding of discount	1,707	1,875
	<b>35,749</b>	<b>43,300</b>
<i>Rental expense relating to operating leases</i>		
Lease payments	1,253	3,830
Expense from discontinued ops	-	6,018

## Notes to the Financial Report

**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.

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Finance Lease Commitments</b>		
Payable not later than one year	<b>1,059</b>	4,476
Payable between one year and five years	<b>565</b>	1,444
	<b>1,624</b>	5,920
Future finance charges	<b>(82)</b>	(661)
<b>Total lease liabilities</b>	<b>1,542</b>	5,259
Current	<b>992</b>	3,809
Non-current	<b>550</b>	1,450
	<b>1,542</b>	5,259
<b>Analysis of Non-Cancellable Operating Lease Commitments</b>		
Payable not later than one year	<b>396</b>	837
Payable between one year and five years	<b>899</b>	1,094
	<b>1,295</b>	1,931

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

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after tax for the year	<b>169,388</b>	39,682
Depreciation and amortisation	<b>80,915</b>	85,071
Rehabilitation provision	-	5,896
Asset impairments and write downs	-	11,425
Income tax expense	<b>14,014</b>	1,090
Net loss on sale of plant and equipment	-	513
Discontinued operations non-cash expenses	-	(14,611)
Net realised/unrealised gain on gold derivative fair value movements	-	(1,407)
Unwinding of rehabilitation provision	<b>1,707</b>	1,875
Net finance costs amortised	<b>5,289</b>	6,915
Unrealised/realised foreign exchange gain	<b>142</b>	15,350
Equity settled share-based payments	<b>928</b>	139
Change in operating assets and liabilities		
Receivables and prepayments	<b>(728)</b>	(1,539)
Inventories	<b>(5,892)</b>	(14,856)
Other assets	<b>(1,019)</b>	14,933
Trade creditors and payables	<b>(3,127)</b>	(16,056)
Provisions	<b>(18,829)</b>	(21,219)
<b>Net cash flows from operating activities</b>	<b>242,788</b>	113,201

## Notes to the Financial Report

**13 Contributed equity**

Date	Details	Number of shares	\$'000
1 July 2015	Opening balance	495,102,525	887,216
30 June 2016	Closing balance	495,102,525	887,216

**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.

## Notes to the Financial Report

## D. Business portfolio

## 14 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2016, the parent company of the Group was St Barbara Limited.

## Financial statements

	Parent Entity	
	2016	2015
	\$'000	\$'000
<b>Results of the parent entity</b>		
Profit/(loss) after tax for the year	65,702	(40,650)
Other comprehensive loss	(2,821)	(924)
Total comprehensive income/(loss) for the year	62,881	(41,574)

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

	Parent Entity	
	2016	2015
	\$'000	\$'000
<b>Financial position of the parent entity at year end</b>		
Current assets	173,591	104,813
Total assets	442,357	537,272
Current liabilities	38,548	42,815
Total liabilities	276,582	437,199
<b>Total equity of the parent entity comprising:</b>		
Share capital	887,216	887,216
Reserve	2,840	19
Accumulated losses	(724,281)	(787,162)
Total equity	165,775	100,073

## 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 \$4,717,000 (2015: \$8,095,000), operating lease rents of \$969,000 (2015: \$969,000), and interest of \$25,889,000 (2015: \$15,921,000) to entities in the wholly-owned group.

Net loans payable to the Company amount to a net receivable of \$242,446,000 (2015: net receivable \$319,914,000).

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 2016 and 30 June 2015 and are incorporated in Australia unless otherwise stated.

	Country of Incorporation
<u>Parent entity</u>	
St Barbara Limited	Australia
<u>Subsidiaries of St Barbara Limited</u>	
Allied Gold Mining Ltd	UK
<u>Subsidiaries of Allied Gold Mining Ltd</u>	
Allied Gold Pty Ltd <sup>(2)</sup>	Australia
<u>Subsidiaries of Allied Gold Pty Ltd</u>	
Advance R&D Pty Ltd <sup>(1)</sup>	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 <sup>(1)</sup>	Australia
Nord Pacific Limited	Canada
<u>Subsidiaries of AGL (SGC) Pty Ltd</u>	
Compania Minera Nord Pacific De Mexico, S.A. DE C.V. <sup>(3)</sup>	Mexico
<u>Subsidiaries of Allied Tabar Exploration Pty Ltd</u>	
Tabar Exploration Company Ltd	PNG
<u>Subsidiaries of Nord Pacific Limited</u>	
Nord Australex Nominees (PNG) Ltd	PNG
Simberi Gold Company Limited	PNG

(1) Non operating.

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

(3) 49,999 shares held by AGL (SGC) Pty Ltd. 1 share held by AGL (ASG) Pty Ltd. The entity was deregistered on the 22 October 15.

## Notes to the Financial Report

## 16 Discontinued operations

On the 6 May 2015 the Group completed the sale of Australian Solomons Gold Limited and its subsidiary companies to a Solomon Islands company associated with local landowners for a nominal purchase price. Australian Solomons Gold Limited was the parent entity of Gold Ridge Mining Limited, which holds the Gold Ridge assets.

The parties also signed a Deed of Indemnity and Release as part of the sale in favour of the remaining St Barbara Group companies in respect of the Gold Ridge project.

The results of the discontinued operations included in the prior year amounts in the consolidated income statement are set out below.

	Consolidated	
	2016 \$'000	2015 \$'000
<b>Profit /(Loss) for the period from discontinued operations</b>		
Revenue	-	4,375
Other income	-	3,694
Expenses	-	(19,862)
Operating loss before tax	-	(11,793)
Foreign exchange gains	-	767
Loss after tax and foreign exchange	-	(11,026)
Gain on disposal of operations	-	29,554
	-	29,554
<b>Profit for the year from discontinued operations (attributable to owners of the company)</b>	-	18,528
	2016 \$'000	2015 \$'000
<b>Cash flows from discontinued operations</b>		
Net cash outflows from operating activities	-	(13,575)

## 17 Disposal of subsidiaries

	Consolidated	
	2016 \$'000	2015 \$'000
<b>Consideration received/(paid)</b>		
Foreign exchange	-	(2,724)
Costs of disposal	-	(2,796)
	-	(5,520)
<b>Analysis of assets and liabilities over which control was lost</b>		
Provision for rehabilitation	-	(35,074)
Net liability disposed of	-	(35,074)

The Company received a nominal amount from a Solomon Islands company associated with local landowners for the sale of the Australian Solomons Gold Limited and its subsidiary companies.

The gain on disposal of \$29,554,000 was included in the profit from discontinued operations for the financial year ended 30 June 2015.



## Notes to the Financial Report

## E. Remunerating our people

## 18 Employee benefit expenses and provisions

## Expenses

	Consolidated	
	2016	2015
	\$'000	\$'000
<i>Employee related expenses</i>		
Wages and salaries	62,396	59,291
Contributions to defined contribution superannuation funds	4,904	4,066
Equity settled share-based payments	928	139
	68,228	63,496

*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.

*Termination benefits*

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

*Directors and key management personnel*

Disclosures relating to Directors and Key Management Personnel are included within the Remuneration Report, with the exception of the table opposite.

	Consolidated	
	2016	2015
	\$	\$
Short term employee benefits	2,404,260	2,188,054
Post-employment benefits	38,616	51,654
Leave	103,011	114,213
Share-based payments	511,888	83,625
Termination payments	-	456,227
	3,057,775	2,893,773

## Notes to the Financial Report

**18 Employee benefit expenses and provisions  
(continued)****Provisions**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Employee benefits – annual leave	<b>3,486</b>	3,144
Employee benefits – long service leave	<b>2,392</b>	2,232
Provision for redundancy payments	-	194
Other provisions	<b>4,641</b>	9,019
	<b>10,519</b>	14,589
<b>Non-current</b>		
Employee benefits - long service leave	<b>1,859</b>	1,452
Other provisions	<b>2,802</b>	4,469
	<b>4,661</b>	5,921

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. Provisions are not recognised for future operating losses.

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

*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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## Notes to the Financial Report

## 19 Share-based payments

*Employee Performance Rights*

During the year ended 30 June 2016, there was no amount transferred as a gain for performance rights that expired during the year (2015: 409,000). Accounting standards preclude the reversal through the Income Statement for amounts which have been booked in the share based payments reserve for performance rights which 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 2016								
Grant Date	Expiry Date	Price on issue date	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Expired during the year Number <sup>(1)</sup>	Balance at end of the year Number	Exercisable at end of the year Number
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	-
<b>Total</b>			<b>20,059,671</b>	<b>3,974,617</b>	<b>(2,228,570)</b>	<b>(1,878,073)</b>	<b>19,927,645</b>	<b>-</b>
Consolidated and parent entity 2015								
19 Dec 2012	30 Jun 2015	\$2.09	858,798	-	-	(858,798)	-	-
29 Nov 2013	30 Jun 2016	\$0.49	4,609,097	-	-	(1,700,628)	2,908,469	-
5 Dec 2014	30 Jun 2017	\$0.12	-	18,186,232	-	(1,035,030)	17,151,202	-
<b>Total</b>			<b>5,467,895</b>	<b>18,186,232</b>	<b>-</b>	<b>(3,594,456)</b>	<b>20,059,671</b>	<b>-</b>

(1) Includes performance rights, which did not vest due to not meeting performance criteria, or through termination of employment.

The weighted average remaining contractual life of performance rights outstanding at the end of the year was 1.3 years (2015: 1.9 years). The model inputs for rights granted during the year ended 30 June 2016 included:

- Rights are granted for no consideration. The vesting of rights granted in 2016 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.
- Performance rights do not have an exercise price.
- Any performance right which does not vest will lapse.
- 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 \$5,246,000. 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 2016 \$	2015 \$
Performance rights issued under performance rights plan	<b>928,000</b>	139,000

*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.

## Notes to the Financial Report

## F. Other disclosures

## 20 Remuneration of auditors

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

	Consolidated	
	2016	2015
	\$	\$
Assurance services		
<i>Audit and audit related services</i>		
KPMG		
Audit and review of financial reports	358,500	508,925
Non statutory assurance review	95,000	-
Total remuneration for audit and non audit related services	453,500	508,925

## 21 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:

On 18 July 2016, the Group announced the repurchase of an additional A\$55,531,000 (US\$40,280,000) of aggregate principal of its US 144A Senior Secured Notes. The notes were purchased at a 3.3% premium to par value. Following the repurchase, the principal US Senior Secured Notes outstanding was US\$127,695,000.

## 22 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.

## 23 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 2016 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.

## Notes to the Financial Report

**23 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.

**24 Accounting standards****New Standards adopted**

The Company has adopted the following new and/or revised Standards, Amendments and Interpretations from 1 July 2015:

**Reference**

*AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138).*

*AASB 2015-1 Amendments to Australian Accounting Standards-Annual improvements to Australian Accounting Standards 2012-2014 Cycle.*

*AASB 2015-2 Amendments to Australian Accounting Standards-Disclosure Initiative: Amendments to AASB 101.*

*ASB 2015-3 Amendments to Australian Accounting Standard arising from the Withdrawal of AASB 1031 Materiality*

The adopted standards have no material impact on the recognition, measurement and disclosure of the year-end financial report.

**New accounting standards not yet adopted****Reference**

*AASB 16 Leases*

*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.*

*AASB 2014-10 (2015-101) Amendments to Australian Accounting Standards-Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

*AASB 2016-1 Amendments to Australian Accounting Standards –Recognition of Deferred Tax Asset for Unrealised Losses.*

*AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

**Application of Standard**

1 January 2019

1 January 2018

1 January 2018

1 January 2017

1 January 2017

After a detail review of the above accounting standards the company has assessed that there will be no material impact on the recognition, measurement and disclosure of the financial report.

## 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 35 to 68 and the Remuneration report in the Directors' report, set out on pages 15 to 31, 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 2016 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 2016.
- 3 The directors draw attention to page 35 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 2016





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

### Report on the financial report

We have audited the accompanying financial report of St Barbara Limited (the company), which comprises the consolidated balance sheet as at 30 June 2016, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation 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 is free from material misstatement whether due to fraud or error. On page 35, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



#### *Independence*

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

#### *Auditor's opinion*

In our opinion:

(a) the financial report of the Group is 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 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed on page 35.

#### **Report on the remuneration report**

We have audited the Remuneration Report included in pages 15 to 31 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

#### *Auditor's opinion*

In our opinion, the remuneration report of St Barbara Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'KPMG' followed by a stylized signature.

KPMG

A handwritten signature in black ink, appearing to read 'Tony Romeo'.

Tony Romeo  
Partner

Melbourne

23 August 2016

## Ore Reserves and Mineral Resources Statement as at 30 June 2016

### Overview

- > Successful drilling program extended Gwalia Ore Reserves below 1,800 metres below surface for the first time
- > Total Ore Reserves maintained at 4.01 Moz of contained gold, despite production of 377 koz and sale of King of the Hills mine and Kailis resource during FY16

Successful drilling at Gwalia targeting orebody extensions below 1,800 metres below surface has created significant new resources and reserves which have increased mine life at Gwalia. The gross additions from deep drilling and design changes at Gwalia amounted to 490 koz to Ore Reserves and 938 koz to Mineral Resources. The extent of this addition to reserves has offset depletion across the group and reductions through the divestment of King of the Hills and Kailis, resulting in reserves being maintained at 4.01 Moz.

### Company Summary at 30 June 2016

> Total Ore Reserves are estimated at:	<b>37.0 Mt @ 3.4 g/t Au for</b>	<b>4.01 Moz of contained gold, comprising:</b>
> Leonora Operations:	9.4 Mt @ 7.0 g/t Au for	2.11 Moz of contained gold
> Simberi Operations:	27.7 Mt @ 2.1 g/t Au for	1.90 Moz of contained gold
> Total Mineral Resources <sup>1</sup> are estimated at:	<b>119.7 Mt @ 2.4 g/t Au for</b>	<b>9.08 Moz of contained gold, comprising:</b>
> Leonora Operations:	22.4 Mt @ 6.3 g/t Au for	4.52 Moz of contained gold
> Simberi Operations:	97.3 Mt @ 1.5 g/t Au for	4.56 Moz of contained gold

The 30 June 2016 Ore Reserves and Mineral Resources Statements released to the ASX on 23 August 2016 follow.

<sup>1</sup> Mineral Resources are reported inclusive of Ore Reserves

## Ore Reserves and Mineral Resources Statement as at 30 June 2016

St Barbara's Mineral Resource and Ore Reserve position as at 30 June 2016 is summarised and compared with the 2015 statement in Table 1.

Project	2015 Ore Reserves			FY16 Production Ounces (‘000)	2016 Ore Reserves		
	Tonnes (‘000)	Grade (g/t)	Ounces (‘000)		Tonnes (‘000)	Grade (g/t)	Ounces (‘000)
Gwalia (WA)	5,290	9.4	1,594	267	6,795	8.3	1,808
Tower Hill (WA)	2,572	3.7	306	-	2,572	3.7	306
<b>Total Leonora</b>	<b>7,862</b>	<b>7.5</b>	<b>1,900</b>	<b>267</b>	<b>9,367</b>	<b>7.0</b>	<b>2,114</b>
Simberi (Oxide)	19,117	1.3	818	110	14,094	1.3	576
Simberi (Sulphide)	19,882	2.0	1,285		13,556	3.0	1,321
<b>Total Simberi</b>	<b>38,999</b>	<b>1.7</b>	<b>2,103</b>	<b>110</b>	<b>27,650</b>	<b>2.1</b>	<b>1,897</b>
<b>Grand Total</b>	<b>46,861</b>	<b>2.7</b>	<b>4,003</b>	<b>377</b>	<b>37,017</b>	<b>3.4</b>	<b>4,011</b>

Project	2015 Mineral Resources				2016 Mineral Resources		
	Tonnes (‘000)	Grade (g/t)	Ounces (‘000)		Tonnes (‘000)	Grade (g/t)	Ounces (‘000)
Gwalia (WA)	12,929	7.9	3,304		17,294	7.0	3,896
Tower Hill (WA)	5,093	3.8	625		5,093	3.8	625
King of the Hills (WA)	870	6.1	170		-	-	-
Kailis (WA)	1,027	3.1	104		-	-	-
<b>Total Leonora</b>	<b>19,919</b>	<b>6.6</b>	<b>4,203</b>		<b>22,387</b>	<b>6.3</b>	<b>4,521</b>
Simberi (Oxide)	43,979	1.0	1,413		29,428	1.0	951
Simberi (Sulphide)	76,914	1.5	3,607		67,850	1.7	3,607
<b>Total Simberi</b>	<b>120,893</b>	<b>1.3</b>	<b>5,020</b>		<b>97,278</b>	<b>1.5</b>	<b>4,558</b>
<b>Grand Total</b>	<b>140,812</b>	<b>2.0</b>	<b>9,223</b>		<b>119,665</b>	<b>2.4</b>	<b>9,079</b>

**Table 1: St Barbara 2015 and 2016 Ore Reserves and Mineral Resources Summary**

The Company's Ore Reserves are effectively unchanged as an increase in the Gwalia Ore Reserves resulting from successful surface drilling targeting mineralisation extensions below the 1800 has offset depletion from production (Figure 1).

The successful drilling at Gwalia has offset reductions in the Company's Mineral Resources inventory due to:

- > Production,
- > Sterilisation of non-recoverable resources at Gwalia,
- > Divestment of the King of the Hills and Kailis Projects, and
- > Revised optimal pit shell from US\$1,875 to US\$1,800 per ounce at Simberi (Figure 2).

## Ore Reserves and Mineral Resources Statement as at 30 June 2016

Figure 1: Summary Movement in Ore Reserve between FY15 and FY16

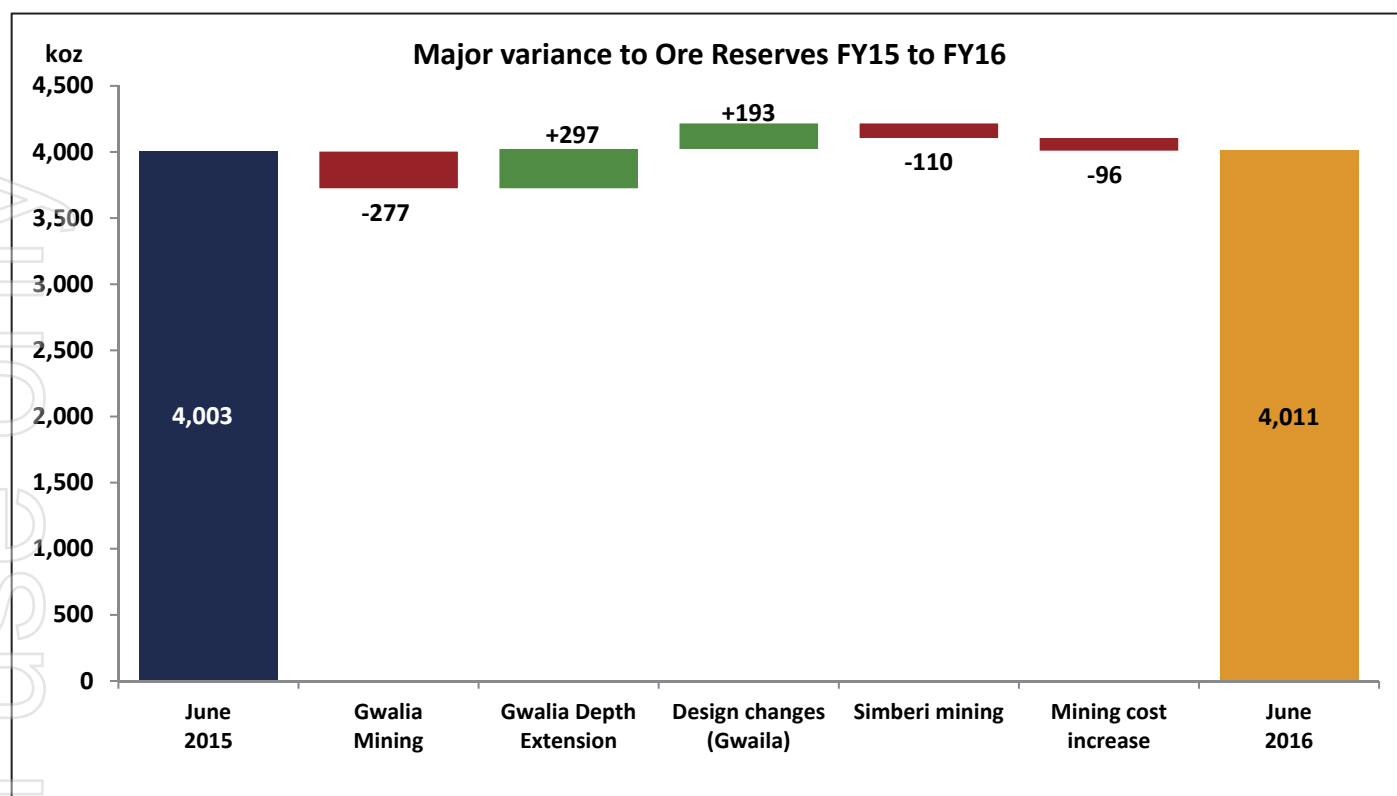
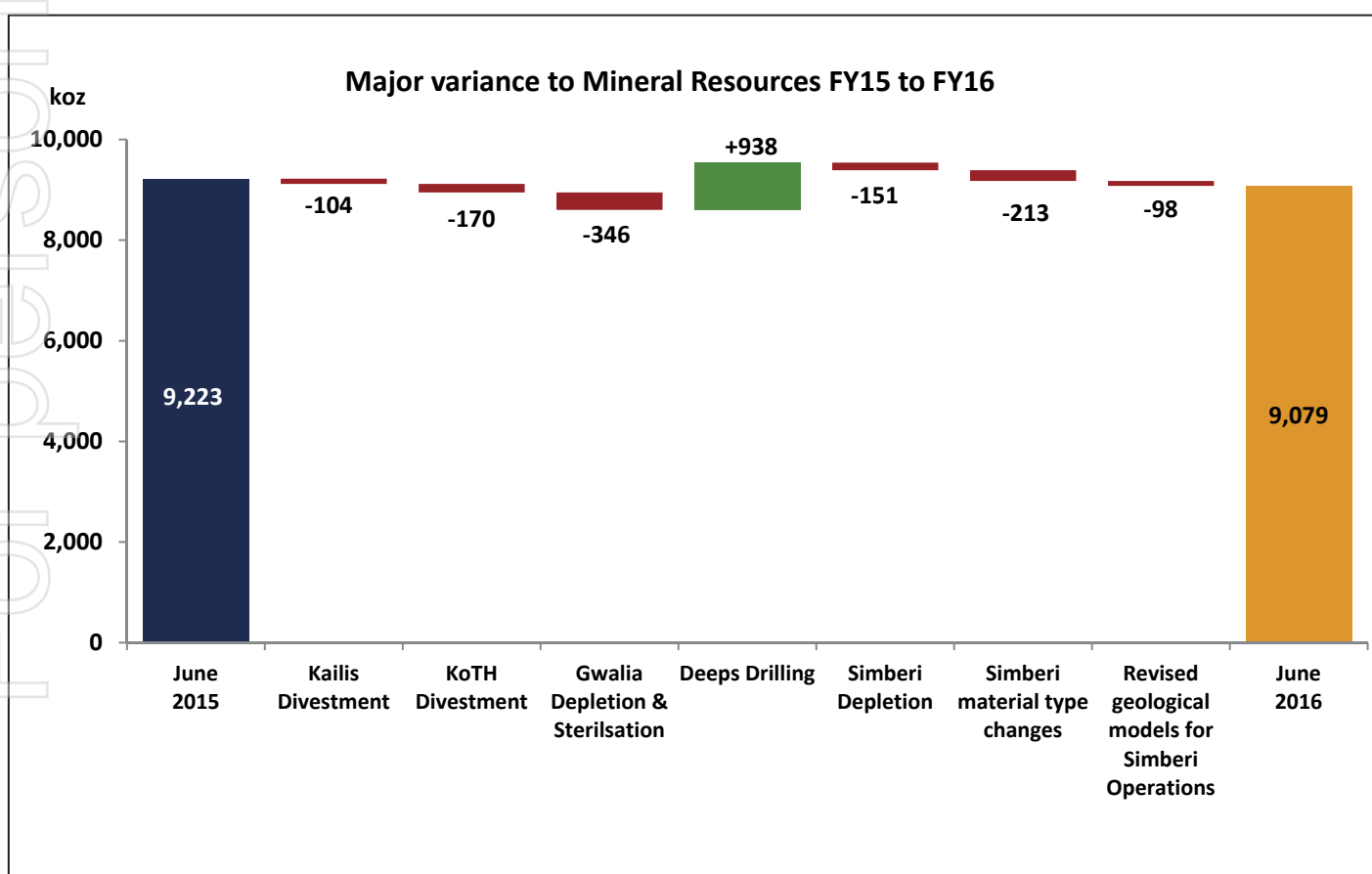


Figure 2: Summary Movement in Mineral Resource between FY15 and FY16



**Ore Reserves and Mineral Resources Statement as at 30 June 2016****Mineral Resource Revisions****Gwalia (+592,000 ounces (net))**

The Gwalia Mineral Resource has been updated following the completion of a surface drilling program targeting mineralisation below 1800 mbs and underground grade control and resource definition drilling completed from the 1540 level platform. The previous publicly reported Measured, Indicated and Inferred Mineral Resource Estimate reported at 30 June 2015 was 12,929 kt @ 7.9 g/t Au containing 3,304 koz of gold. This has increased by a net 592 koz of gold to 17,294 kt @ 7.0 g/t Au containing 3,896 koz of gold. Variances between the two estimates are primarily due to:

- > Depletion due to mining and sterilisation of non-recoverable resources, and
- > Resource extensions below 1800 mbs and changes to local geological models as a result of drilling.

**King of the Hills (-170,000 ounces)**

The King of the Hills Project was sold in October 2015 to Saracen Metals Pty Ltd. The Company announced the sale of the King of the Hills mine and Kailis resource on 20 August 2015, refer to the corresponding ASX announcement for details.

**Kailis (-104,000 ounces)**

The Kailis Project was sold in October 2015 to Saracen Metals Pty Ltd. The Company announced the sale of the King of the Hills mine and Kailis resource on 20 August 2015, refer to the corresponding ASX announcement for details.

**Simberi Oxide (-462,000 ounces)**

A revised Mineral Resource estimate was completed for Simberi Oxide incorporating an updated base of oxidation model, based on sulphur assays and geological logging data. Previous models did not account for sulphur content. In addition, material that was previously classified as 'transitional' (partly oxidised) and reported as part of the oxide resource is now reported as part of the sulphide resource. The previous publicly reported Measured, Indicated and Inferred Oxide Mineral Resource Estimate reported at 30 June 2015 was 43,979 kt @ 1.0 g/t Au containing 1,413 koz of gold. This has decreased by 462 koz of gold to 29,428 kt @ 1.0 g/t Au containing 951 koz of gold. Variances between the two estimates are primarily due to depletion through mining and removal of transitional ore.

**Simberi Sulphide (0 ounces)**

The Simberi Sulphide Mineral Resource estimate was updated incorporating a revised base of oxidation model and additional attributes necessary for the Simberi sulphide pre-feasibility study. The previous publicly reported Measured, Indicated and Inferred sulphide Mineral Resource Estimate reported at 30 June 2015 was 76,914 kt @ 1.5 g/t Au containing 3,607 koz of gold. The revised model shows no net change in contained ounces and is now 67,850 kt @ 1.7 g/t Au containing 3,607 koz of gold. Variances between the two estimates are primarily due to the reclassification of transitional material as sulphide, depletion through mining and a change in gold price (from US\$1,875 to US\$1,800 per ounce) used to constrain the reporting of the sulphide Mineral Resource.

**Ore Reserve Revisions****Gwalia (+214,000 ounces (net))**

The previous publicly reported Proved and Probable Ore Reserve Estimate reported at 30 June 2015 was 5,290 kt @ 9.4 g/t Au containing 1,594 koz of gold. This has increased by a net 214 koz of gold to 6,795 kt @ 8.3 g/t Au containing 1,808 koz of gold. Variances between the two estimates are primarily due to:

- > Depletion due to mining,
- > Depth extension to the Mineral Resource as a consequence of surface drilling targeting resource extensions below 1800 mbs,
- > Design changes as a consequence of the revised Mineral Resource estimate, and
- > Removal of the 'mine call factor'.

A mine call factor has previously been applied to South West Branch (SWB) stopes greater than 8.0 g/t Au to address concerns that the Mineral Resource and, as a consequence, the Ore Reserve over-estimated grade in areas of limited or no grade control drilling. A review of factored areas subsequent to grade control drilling has shown that the un-factored grade is a more reliable estimate of grade.

**Simberi (oxide and sulphide combined: -206,000 ounces)**

The previous publicly reported Proved and Probable Ore Reserve Estimate reported at 30 June 2015 was 38,999 kt @ 1.7 g/t Au containing 2,103 koz of gold. This has reduced by 206 koz of gold to 27,650 kt @ 2.1 g/t Au containing 1,897 koz of gold. The Simberi reserve combines the oxide reserve with 14,094 kt @ 1.3 g/t Au containing 576 koz of gold and the sulphide reserve with 13,556 kt @ 3.0 g/t Au containing 1,321 koz of gold.

The Simberi sulphide reserve profile variance from previous years predominately relates to changes in the sulphide resource model and an update to modifying factors as defined through the updated pre-feasibility study for sulphide treatment at Simberi.



**Ore Reserves and Mineral Resources Statement as at 30 June 2016****Ore Reserves Statement as at 30 June 2016**

Project	Proved			Probable			Total		
	Tonnes ('000)	Gold (g/t)	Ounces ('000)	Tonnes ('000)	Gold (g/t)	Ounces ('000)	Tonnes ('000)	Gold (g/t)	Ounces ('000)
Gwalia (WA)	2,286	9.6	702	4,510	7.6	1,105	6,795	8.3	1,808
Tower Hill (WA)	-	-	-	2,572	3.7	306	2,572	3.7	306
Simberi Oxide (PNG)	4,687	1.3	194	9,407	1.3	381	14,094	1.3	576
Simberi Sulphide (PNG)	154	3.0	14	13,402	3.0	1,307	13,556	3.0	1,321
<b>Total All Projects</b>	<b>7,127</b>	<b>4.0</b>	<b>910</b>	<b>29,891</b>	<b>3.2</b>	<b>3,099</b>	<b>37,017</b>	<b>3.4</b>	<b>4,011</b>

**Notes**

1. Ore Reserves are based on a gold price of: Gwalia (A\$1,350/oz), Tower Hill (A\$1,250/oz), Simberi (US\$1,200/oz).
2. Mineral Resources are reported inclusive of Ore Reserves.
3. Data is rounded to thousands of tonnes and thousands of ounces. Discrepancies in totals may occur due to rounding.
4. Details relating to each of the estimates are contained in the 2016 Annual Mineral Resource and Ore Reserve Report at [www.stbarbara.com.au/exploration/Ore-Reserves-mineral-resources/](http://www.stbarbara.com.au/exploration/Ore-Reserves-mineral-resources/)

**JORC Code Compliance Statement**

The information in this report that relates to Ore Reserves is based on information compiled by Mr. Glen Carthew and Mr. Tim Richards, who are Members of the Australasian Institute of Mining and Metallurgy. Glen Carthew and Tim Richards are full-time employees of St Barbara Ltd and have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Competent Person Mr Tim Richards is entitled to participate in St Barbara's long term incentive plan, details of which are most included in the 2016 Financial Report released to the ASX on 23 August 2016. Increase in Ore Reserves was one of the performance measures under that plan until 30 June 2016. No incentive was paid in financial year 2016 under this performance measure.

Glen Carthew and Tim Richards consent to the inclusion in the statement of the matters based on their information in the form and context in which it appears.

## Ore Reserves and Mineral Resources Statement as at 30 June 2016

## Mineral Resources Statement as at 30 June 2016

Project	Measured			Indicated			Inferred			Total		
	Tonnes ('000)	Gold (g/t)	Ounces ('000)	Tonnes ('000)	Gold (g/t)	Ounces ('000)	Tonnes ('000)	Gold (g/t)	Ounces ('000)	Tonnes ('000)	Gold (g/t)	Ounces ('000)
Gwalia	4,951	7.7	1,232	11,773	6.8	2,584	570	4.4	80	17,294	7.0	3,896
Tower Hill	-	-	-	4,604	3.9	574	489	3.3	51	5,093	3.8	625
Simberi Oxide	6,817	1.1	232	16,686	1.0	532	5,925	1.0	187	29,428	1.0	951
Simberi Sulphide	1,583	1.2	58	46,382	1.7	2,543	19,885	1.6	1,003	67,850	1.7	3,607
<b>Total All Projects</b>	<b>13,351</b>	<b>3.5</b>	<b>1,522</b>	<b>79,445</b>	<b>2.4</b>	<b>6,233</b>	<b>26,869</b>	<b>1.5</b>	<b>1,321</b>	<b>119,665</b>	<b>2.4</b>	<b>9,079</b>

## Notes

1. Mineral Resources are reported inclusive of Ore Reserves
2. Cut-off Grades Leonora: Gwalia Deeps (2.5 g/t Au), Tower Hill (2.5 g/t Au), Simberi Oxide (0.4 g/t Au), Simberi Sulphide (0.6 g/t Au).
3. Simberi Mineral Resources are reported constrained by a \$US1,800 per ounce pit shell.
4. Data is rounded to thousands of tonnes and thousands of ounces. Discrepancies in totals may occur due to rounding.
5. Details relating to each of the estimates are contained in the 2016 Annual Mineral Resource and Ore Reserve Report at [www.stbarbara.com.au/exploration/Ore-Reserves-mineral-resources/](http://www.stbarbara.com.au/exploration/Ore-Reserves-mineral-resources/)

## JORC Code Compliance Statement

The information in this report that relates to Mineral Resources is based on information compiled by Ms. Jane Bateman and Mr Robert Love who are Fellows of the Australasian Institute of Mining and Metallurgy. Jane Bateman and Robert Love are full-time employees of St Barbara Ltd and have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Jane Bateman and Robert Love consent to the inclusion in the statement of the matters based on their information in the form and context in which it appears.

## Shareholder Information

## Twenty Largest Shareholders

Ordinary fully paid shares as at 30 September 2016

Rank	Name	Shares	% of Issued Capital
1.	NATIONAL NOMINEES LIMITED	140,134,122	28.18
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	125,118,011	25.16
3.	J P MORGAN NOMINEES AUSTRALIA LIMITED	105,146,447	21.14
4.	CITICORP NOMINEES PTY LIMITED	28,984,964	5.83
5.	BNP PARIBAS NOMS PTY LTD <DRP>	6,398,744	1.29
6.	NATIONAL NOMINEES LIMITED <DB A/C>	4,632,097	0.93
7.	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	2,598,131	0.52
8.	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	2,452,999	0.49
9.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,763,988	0.35
10.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,628,423	0.33
11.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,457,268	0.29
12.	UBS NOMINEES PTY LTD	1,347,024	0.27
13.	NORTHCLIFFE HOLDINGS PTY LTD <NORTHCLIFFE HOLDINGS A/C>	1,150,000	0.23
14.	AMP LIFE LIMITED	1,145,383	0.23
15.	MRS CAROLINE JOY VASSIE	935,720	0.19
16.	NORTHWEST ACCOUNTING PTY LTD <PUUTU KUNTI KURRAMA AND PINIKU>	934,657	0.19
17.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	835,911	0.17
18.	MR ROBERT SCOTT VASSIE	833,333	0.17
19.	MR JOHN DANCKERT + MRS NADIA DANCKERT <DANCKERT FAMILY SUPER A/C>	681,770	0.14
20.	SHARE DIRECT NOMINEES PTY LTD <10015 A/C>	651,647	0.13
<b>Total top 20 holders of ordinary fully paid shares</b>		<b>428,830,639</b>	<b>86.23</b>
<b>Total remaining holders</b>		<b>68,500,456</b>	<b>13.77</b>
<b>Total</b>		<b>497,331,095</b>	<b>100.00</b>

## Shareholder Information

## Distribution of Shareholdings

Ordinary fully paid shares as at 30 September 2016

Range	Total Holders	Shares	% of Issued Capital
1 – 1,000	4,219	1,809,107	0.36
1,001 – 5,000	3,702	9,123,768	1.83
5,001 – 10,000	885	6,685,733	1.34
10,001 – 100,000	967	27,916,488	5.61
100,001 and over	127	451,795,999	90.84
<b>Total</b>	<b>9,900</b>	<b>497,331,095</b>	<b>100.00</b>

## Unmarketable Parcels

Ordinary fully paid shares as at 30 September 2016

	Total Holders	Shares	Minimum Parcel Size
Minimum \$500.00 parcel at \$3.19 per unit	1,040	48,334	157

## Substantial Shareholders

Ordinary fully paid shares as at 30 September 2016

Name	Shares	% of Issued Capital
Van Eck Associates Corporation	86,380,825	17.4%
M&G Investment Management Ltd	41,350,000	8.4%
Hunter Hall Investment Management Ltd	28,841,458	5.8%
Vinva Investment Management	25,862,522	5.2%



# St Barbara LIMITED

ABN 36 009 165 066

## 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: [info@stbarbara.com.au](mailto:info@stbarbara.com.au)  
Website: [www.stbarbara.com.au](http://www.stbarbara.com.au)

## 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

KPMG  
147 Collins Street  
Melbourne Victoria 3000 Australia

## STOCK EXCHANGE LISTING

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

For personal use only

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## Notice of 2016 Annual General Meeting

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**The 2016 Annual General Meeting of St Barbara Limited will be held:**

**Date:** 30 November 2016  
**Time:** 11:00 am (Melbourne time)  
**Venue:** Royce Conference Room  
Royce Hotel  
379 St Kilda Road  
Melbourne Victoria 3004

### Contents

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- **Items of Business**
  - **Important Information**
  - **Explanatory Memorandum**
  - **Proxy Form**
- 

**The Board recommends that Shareholders vote FOR Resolutions 1 to 4**

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# Notice of Annual General Meeting of St Barbara Limited

Notice is given that the 2016 Annual General Meeting of St Barbara Limited will be held on 30 November 2016 at 11:00 am at the Royce Conference Room, Royce Hotel, 379 St Kilda Road, Melbourne, Victoria 3004.

## Items of Business

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### 1. Annual Reports

To receive and consider the Annual Financial Report of the Company and the reports of the Directors and Auditor for the year ended 30 June 2016.

### 2. Resolution 1: Adoption of Remuneration Report

To consider and, if thought fit, pass the following as an ordinary resolution:

“That the Remuneration Report for the year ended 30 June 2016 as set out on pages 15 to 31 (inclusive) of the Annual Report be adopted.”

*Note – the vote on this resolution is advisory only and does not bind the Directors or the Company.*

### 3. Resolution 2: Re-election of Director – Mr David Moroney

To consider and, if thought fit, pass the following as an ordinary resolution:

“That Mr David Moroney, being a Director of the Company who retires pursuant to article 3.6 of the Company’s Constitution, and being eligible, be re-elected as a Director of the Company.”

### 4. Resolution 3: Appointment of new auditor

To consider and, if thought fit, pass the following as an ordinary resolution:

“That, for the purposes of section 327B of the Corporations Act and all other purposes, PricewaterhouseCoopers, having been nominated and having consented in writing to act as auditor of the Company, be appointed as the new auditor of the Company.”

### 5. Resolution 4: Approval of issue of performance rights to Mr Robert (Bob) Vassie, Managing Director and Chief Executive Officer

To consider and, if thought fit, pass the following as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.14, sections 200B and 200E of the Corporations Act and for all other purposes, approval be given to issue to Mr Bob Vassie 196,708 performance rights to acquire fully paid ordinary shares in the capital of the Company, on the terms and conditions set out and to provide Mr Vassie the benefits described, in the Explanatory Memorandum accompanying the Notice convening this Annual General Meeting, in part consideration of his employment as Managing Director and Chief Executive Officer of the Company in respect of the current 2017 financial year.”

### By Order of the Board

Rowan Cole  
Company Secretary  
21 October 2016

## Important Information

This information forms part of the Notice of Annual General Meeting.

A copy of this document has been lodged with ASX. ASX and its officers take no responsibility for the contents of this document.

### Key Dates

Deadline for receipt of Proxy Forms	11:00 am (Melbourne time) on Monday 28 November 2016
Date and time for determining eligibility to vote	7:00 pm (Melbourne time) on Monday 28 November 2016
Date and time of Annual General Meeting	11:00 am (Melbourne time) on Wednesday 30 November 2016

### What You Should Do

#### Step 1 – Read this Meeting Documentation


This is an important document. This Meeting Documentation sets out the business of the Annual General Meeting. Please read this document carefully and, if you are not sure what to do, please consult your legal or financial adviser immediately.

#### Step 2 – Vote on the Resolutions

If you are unable to attend the meeting in person, please complete the Proxy Form that accompanies this Meeting Documentation and return it in the reply paid envelope to the Company's share registry, Computershare, before **Monday 28 November 2016 at 11:00 am** (Melbourne time). Proxy Forms received after this time will not be effective for the scheduled commencement of the Annual General Meeting.

For details on how to complete and lodge the Proxy Form, please refer to the instructions on the Proxy Form.

If you wish to appoint a proxy on the enclosed Proxy Form to vote on your behalf in the manner consistent with the voting recommendations of the Board, mark the **"FOR"** box for **Resolutions 1 to 4** as set out in the example below. The background and reasons for these recommendations are set out in the enclosed Explanatory Memorandum.

STEP 2 Items of Business		 PLEASE NOTE: If you mark the Abstain box for an resolution, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.		
		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director – Mr David Moroney	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Appointment of new auditor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of issue of performance rights to Mr Robert (Bob) Vassie, Managing Director and Chief Executive Officer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Questions

If you have any questions about any matter contained in this Meeting Documentation, please contact Mr Rowan Cole, Company Secretary, at [company.secretary@stbarbara.com.au](mailto:company.secretary@stbarbara.com.au) or on +61 3 8660 1900.

### Webcast

A live audio webcast of the Annual General Meeting will be available on St Barbara's website at [www.stbarbara.com.au/investors/webcast/](http://www.stbarbara.com.au/investors/webcast/). The audio webcast is 'listen only' and does not enable questions. The audio webcast will also be available on the website after the conclusion of the meeting.

### Eligibility to attend and vote at the Meeting

The Board has determined that the Shareholders entitled to attend and vote at the Meeting are those persons who are the registered holders of Shares on 28 November 2016 at 7:00 pm (Melbourne time).

## Voting Restrictions

### *Resolution 1: Adoption of the Remuneration Report*

The Remuneration Report identifies the Company's Key Management Personnel for the financial year to 30 June 2016. Under the Corporations Act, Key Management Personnel (including Directors) of the Company, details of whose remuneration are included in the Remuneration Report, and their closely related parties (as defined in the Corporations Act), (each a **Restricted Person**), are prohibited from voting on Resolution 1 in any capacity (eg: as a Shareholder, proxy, attorney or corporate representative).

However, the prohibition does not apply if:

- the Restricted Person is appointed as a proxy for a Shareholder entitled to vote and the proxy appointment specifies the way the Restricted Person is to vote on the resolution; or
- the chair of the Meeting (**Chairman**) has been appointed as a proxy for a Shareholder entitled to vote and the proxy appointment:
  - does not specify the way the Chairman is to vote on the resolution; and
  - expressly authorises the Chairman to exercise the proxy (notwithstanding that Resolution 1 is connected directly or indirectly with the remuneration of Key Management Personnel).

The Chairman intends to vote undirected proxies (where the Chairman has been appropriately authorised) in favour of Resolution 1.

Other Directors and other Key Management Personnel of the Company and their closely related parties must not cast any votes in respect of Resolution 1 that arise from any undirected proxy that they hold.

### *Resolution 4: Approval of issue of performance rights to Mr Bob Vassie*

In accordance with the ASX Listing Rules (and having regard to the voting restrictions in section 200E(2A) of the Corporations Act as it applies to Resolution 4), the Company will disregard any votes cast on Resolution 4 by Mr Vassie and his associates, other than where the vote:

- is cast by a person as proxy for a Shareholder (not being Mr Vassie or any associate) who is entitled to vote, in accordance with the directions on the Proxy Form; or
- is cast by the Chairman as proxy for a Shareholder (not being Mr Vassie or any associate) who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Further, under the Corporations Act, the Company's Key Management Personnel and their closely related parties are prohibited from voting on resolutions connected directly or indirectly with the remuneration of Key Management Personnel (such as Resolution 4) as a proxy for a Shareholder entitled to vote where the proxy appointment does not specify the way the proxy is to vote on the resolution.

However, this Corporations Act prohibition does not apply to the Chairman if the Chairman has been appointed as the proxy and the proxy appointment expressly authorises the Chairman to exercise an undirected proxy. The Chairman intends to vote undirected proxies (where the Chairman has been appropriately authorised) in favour of Resolution 4.

## Proxy Information

If you are entitled to attend the meeting and vote, you have the right to appoint a proxy to attend and vote on your behalf. A proxy need not be a Shareholder and can be either an individual or a body corporate.

If you appoint a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act; and
- provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

If such evidence is not received before the meeting, then the body corporate (through its representative) will not be permitted to act as a proxy.

If you are entitled to cast 2 or more votes, you may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy will exercise half of your votes.

## Proxy Information (continued)

A Proxy Form accompanies this Notice of Annual General Meeting.

For an appointment of a proxy to be effective for the Meeting, the proxy's appointment, and any authority under which the Proxy Form is signed or otherwise authenticated, must be received by St Barbara's share registry **by no later than 11:00 am on 28 November 2016 (Melbourne time)**. Proxy appointments and relevant authorities may be delivered to St Barbara's share registrar by one of the following methods:

**Mail to:** Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria, 3001

**Fax to:** 1800 783 447 (within Australia), +61 3 9473 2555 (outside Australia)

**Online:** login at [www.investorvote.com.au](http://www.investorvote.com.au) using the Control Number found on the front of your accompanying proxy form and follow the instructions. Alternatively, with your mobile device scan the QR code located on the front of the proxy form and follow the instructions. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

For intermediary online subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com).

Certain capitalised terms used in this document are defined below.

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## Definitions

**Annual General Meeting or Meeting** means the annual general meeting of St Barbara to be held on Wednesday 30 November 2016 at 11:00 am (Melbourne time) in the Royce Hotel, 379 St Kilda Road, Melbourne, Victoria to consider and, if thought fit, pass the resolutions set out in the Notice of Annual General Meeting

**Annual Report** means the 2016 annual report of St Barbara

**ASIC** means the Australian Securities and Investments Commission

**ASX** means ASX Limited

**ASX Listing Rules** means the official Listing Rules of ASX Limited

**Board** means the board of Directors of St Barbara

**Chairman** means the chairman of the Annual General Meeting of St Barbara

**Change of Control** means that one or more persons acting in concert have acquired or are likely to imminently acquire "control" of the Company as defined in section 50AA of the Corporations Act

**Corporations Act** means the *Corporations Act 2001* (Cth)

**Director** means a director of St Barbara

**EBITDA** means earnings before interest, tax, depreciation and amortisation

**Explanatory Memorandum** means the explanatory memorandum accompanying the Notice of Annual General Meeting contained in this Meeting Documentation

**FY16 Performance Rights** means the LTI awards in respect of the 2016 financial year

**FY17 Performance Rights** means the LTI awards in respect of the 2017 financial year (which are subject to the approval of resolution 4, for the number of performance rights to be issued to Mr Bob Vassie)

**Key Management Personnel** has the meaning given in the Corporations Act

**KPI** means key performance indicator

**LTI** means long term incentive

**Meeting Documentation** means this document, comprising the Notice of Annual General Meeting, Explanatory Memorandum and the Proxy Form

**Non-Executive Director** means a Director who is not employed by the Company in an executive or management capacity

**Notice of Annual General Meeting** means the notice of meeting which is enclosed in the Meeting Documentation

**Proxy Form** means the proxy form for the Annual General Meeting contained in the Meeting Documentation

**RP** means the rights plan of the Company

**Share** means a fully paid ordinary share in the capital of St Barbara

**Shareholder** means a holder of Shares

**St Barbara** or the **Company** means St Barbara Limited ABN 36 009 165 066

**STI** means short term incentive

**VWAP** means volume weighted average price

# Explanatory Memorandum to Shareholders

This Explanatory Memorandum has been prepared to assist Shareholders to understand the business to be put to Shareholders at the forthcoming Annual General Meeting on 30 November 2016.

## Ordinary Business

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### 1. Annual Reports

The Corporations Act requires:

- the reports of the Directors and Auditor; and
- the Annual Financial Report, including the financial statements of the Company for the year ended 30 June 2016, to be laid before the Annual General Meeting.

The 2016 Annual Report is available on the St Barbara website at [www.stbarbara.com.au](http://www.stbarbara.com.au).

The Corporations Act does not require a vote of Shareholders on the reports or statements. However, Shareholders will be able to ask questions at the meeting in relation to the reports.

Also, a reasonable opportunity will be given to Shareholders to ask the Company's Auditor for the year ended 30 June 2016, Mr Tony Romeo, Partner, KPMG, questions relevant to the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the Auditor in relation to the conduct of the audit.

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### 2. Resolution 1: Adoption of Remuneration Report

The Remuneration Report sets out details on the remuneration paid to Non-Executive Directors, the Managing Director and Chief Executive Officer and senior executives. The Remuneration Report is set out on pages 15 to 31 (inclusive) of the 2016 Annual Report, and is available on the St Barbara website at [www.stbarbara.com.au](http://www.stbarbara.com.au).

The Remuneration Report is required to be considered for adoption in accordance with section 250R of the Corporations Act.

The vote on this resolution is advisory only and does not bind the Directors or the Company.

Key remuneration principles set out in the Report are summarised below.

The Company's remuneration strategy recognises that it needs to attract, reward and retain high calibre, high performing and team orientated individuals capable of delivering the Company strategy. The remuneration policy and related employment policies and practices of the Company are aligned with this strategy.

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 to ensure that the Company continues to attract and retain Non-Executive Directors of a high calibre. The Board seeks the advice of, and is guided by, specialist independent remuneration consultants in this process. Currently Non-Executive Directors' fees are compared with those of comparatively sized companies.

In order to maintain their independence and impartiality, the fees paid to Non-Executive Directors are not linked to the performance of the Company. Non-Executive Directors have no involvement in the day to day management of the Company.

The Company operates a performance based remuneration system through which the remuneration of the senior executives is linked to the financial and non-financial performance of the Company, including its share price.

Under the remuneration system the amount of performance linked at risk remuneration relative to an employee's total remuneration increases in line with the seniority of the role of that employee. This reinforces the linkage between personal and Company performance and achievement of the Company's business strategy and creation of shareholder wealth.

The reward structures for the Company's senior executives are strongly aligned with Shareholders' interests by:

- recognising the contribution of each senior executive to the achievement of the Company's strategy and business objectives;
- rewarding high individual performance;
- being market competitive to attract and retain high calibre individuals; and
- ensuring that equity based remuneration through the long term incentive plan is based on a number of outperformance measures over a three year period.

To achieve these objectives, remuneration for senior executives comprises fixed remuneration and performance linked "at risk" remuneration. The "at risk" component is comprised of separate short term and long term incentives in which the former are linked to specific personal and corporate or business unit objectives and the latter are linked to long term strategic corporate objectives. Both provide a direct connection between achievement of targets which drive Company performance and shareholder wealth, with personal remuneration. The mix of fixed and at risk remuneration varies according to the role of each senior executive, with the highest level of at risk remuneration applied to those roles that have the greatest potential to influence and deliver Company outcomes and drive shareholder wealth.

Fixed remuneration for each senior executive role is reflected against prevailing comparable market rates, to ensure that the Company is able to attract and retain a talented and capable workforce appropriate to meet its current and anticipated needs.

The short term incentive (**STI**) is an annual “at risk” component of remuneration for senior executives. It is payable based on performance against key performance indicators (**KPIs**) set at the beginning of the financial year. STIs are structured to remunerate executives for achieving annual Company targets as well as their own individual performance targets designed to benefit the business. Company and individual STIs are weighted equally at “target” performance. Company and individual targets are established by reference to the Company strategy. The net amount of any STI after allowing for applicable taxation, is payable in cash.

For each KPI there are defined “threshold”, “target” and “stretch” measures which are capable of objective assessment.

Threshold performance typically requires achievement of the full year budget for quantifiable measures such as safety, profitability, cash generation, as well as the achievement of criteria set as near term goals linked to the annual strategy review.

Target performance represents challenging but achievable levels of performance beyond achievement of budget measures. For example, the 2016 financial year STI target for gold production for Leonora was set at 104% of the corresponding internal budget figure. Stretch 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 Company.

Long term incentives (**LTIs**) are structured to reward senior executives for the long term performance of the Company relative to its peers and are granted in the form of performance rights. The St Barbara Rights Plan was approved by the Board on 22 September 2015.

In considering the LTI awards for the 2016 financial year (**FY16 Performance Rights**), the Board considered the trend towards deferring a portion of the award. Unlike other industries where matching revenues and expenses may have long lead times, the gold industry is such that gold produced is sold at arm’s length within a matter of days from production. Revenue and expenses are then recorded. The industry characteristics supporting a look back testing of prior year performance awards do not carry the same weight in our industry.

As set out in the 2016 Annual Report, the vesting of the FY16 Performance Rights granted in respect of the 2016 financial year is subject to continuing employment as at the vesting date of 30 June 2018, and satisfactory performance over the three year period ending on 30 June 2018 respectively relating to relative total shareholder return and return on capital employed.

#### **Board recommendation**

The Board unanimously recommends that Shareholders vote in favour of this resolution.

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### **3. Resolution 2: Re-election of Director – Mr David Moroney**

#### **Mr David Moroney BCom, FCA, FCPA, GAICD**

Mr Moroney was appointed to the Board of the Company as an independent Non-Executive Director with effect from 16 March 2015, and was re-elected at the Company's Annual General Meeting held on 27 November 2015. He is Chair of the Audit & Risk Committee and a member of the Remuneration Committee and Health, Safety, Environment & Community Committee.

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 & 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).

A commerce graduate from the University of Melbourne, he is a Fellow of the Chartered Accountants Australia & New Zealand, a Fellow of CPA Australia, and a Graduate of the Australian Institute of Company Directors.

In accordance with the Company's Constitution, Mr Moroney will retire at the Annual General Meeting and, being eligible, will seek re-election.

#### **Board recommendation**

The Board, with Mr Moroney abstaining, unanimously recommends that Shareholders vote in favour of this resolution.

#### 4. Resolution 3: Appointment of new auditor

KPMG has been the Company's auditor since 2005. The Board considers that KPMG has conducted its audits in an effective and competent manner. As the KPMG audit partner is due for rotation this year, the Board considered it appropriate to review the external audit alternatives, and therefore tendered the role of auditor.

As a result of the tender process, the Board recommends that PricewaterhouseCoopers be appointed by Shareholders as the new auditor of the Company.

Following this Board decision to recommend the appointment of PricewaterhouseCoopers, KPMG applied for consent from ASIC to notify the Company of its resignation as auditor.

Under section 329(5) of the Corporations Act, an auditor of a company may, by notice in writing given to the company, resign as auditor of the company if:

- (a) the auditor has, by notice in writing given to ASIC, applied for consent to the resignation and stated the reasons for the application and, at or about the same time notified the company in writing of the application to ASIC; and
- (b) the consent of ASIC has been given.

On 27 September 2016, ASIC gave its consent to the resignation of KPMG, effective from the date of the Annual General Meeting. Following the giving of this ASIC consent, KPMG submitted notice of its resignation to the Company.

In accordance with section 328B of the Corporations Act, Mr Rowan Cole, as a Shareholder, nominated PricewaterhouseCoopers to be appointed at this Meeting as the new auditor of the Company. A copy of the notice of nomination of PricewaterhouseCoopers by Mr Rowan Cole is reproduced below.

PricewaterhouseCoopers has consented to its proposed appointment, in accordance with section 328A of the Corporations Act.

##### **Board recommendation**

The Board unanimously recommends that Shareholders vote in favour of this resolution.

#### **Copy of nomination of PricewaterhouseCoopers for appointment as auditor by a Shareholder**

5 October 2016

Mr Tim Netscher  
Chairman  
St Barbara Limited  
Level 10  
432 St Kilda Road  
Melbourne VIC 3004

Dear Mr Netscher

##### **Nomination of PricewaterhouseCoopers as Auditor of St Barbara Limited**

I, Rowan Cole, being a shareholder of St Barbara Limited, hereby give written notice pursuant to Section 328B(1) of the Corporations Act 2001 of the nomination of PricewaterhouseCoopers for appointment as auditor of St Barbara Limited at the next Annual General Meeting.

Yours sincerely



Rowan Cole



## 5. Resolution 4: Approval of issue of performance rights to Mr Bob Vassie, Managing Director and Chief Executive Officer

### Introduction

The Board has resolved, subject to Shareholder approval, to issue Mr Vassie, Managing Director and Chief Executive Officer, performance rights pursuant to the Rights Plan (**RP**) to acquire Shares in the capital of the Company, in the quantum and on the terms which are set out below. These performance rights represent the LTI component of Mr Vassie's total remuneration in respect of the 2017 financial year.

- The number of performance rights to be issued in respect of the 2017 financial year (**FY17 Performance Rights**) is 196,708.
- The number of FY17 Performance Rights was determined on the basis of the 10 day VWAP of Shares up to and including 30 June 2016, which was \$2.92 per share.
- The issue of the FY17 Performance Rights is subject to the terms of the RP approved by the Board on 22 September 2015, the material details of which are summarised in this document.
- No cash consideration is payable for the issue, or on vesting or exercise of the FY17 Performance Rights.
- The FY17 Performance Rights will vest subject to prescribed service and performance conditions being met. The number of FY17 Performance Rights that vest will be subject to the Company's relative performance for each of the performance conditions.
  1. The service condition requires continuous employment for a three year period commencing on 1 July 2016. The Board has discretion in circumstances of death, disability or bona fide redundancy to vary the service condition and reduce the number of performance rights proportionately for a period of service of less than three years.
  2. The performance conditions comprise the following:
    - a. a condition based on Relative Total Shareholder Return; and
    - b. a condition based on the Return On Capital Employed by the Company,each of which is calculated over the three year period commencing 1 July 2016 and ending on 30 June 2019 and is described in more detail in the attached Schedule. This vesting period may be extended by up to two years if retesting becomes necessary. Retesting is at Board discretion, and rights would only vest over the longer period if minimum threshold performance was achieved for Relative Total Shareholder Return and Return On Capital Employed over the extended vesting period.
- Subject to the satisfaction of the service and performance conditions and the rules of the RP, Mr Vassie will receive one Share for each FY17 Performance Right that vests. Any FY17 Performance Rights which do not vest will lapse.
- The FY17 Performance Rights will not be listed on the ASX and will not be transferable, except as permitted under the RP.
- In the event of a Change of Control of the Company, the RP provides that the Board may, in its absolute discretion, determine that all or a specified number of FY17 Performance Rights vest, having regard to whether pro-rata performance is consistent with the performance conditions applicable to those FY17 Performance Rights over the period from the date of grant to the date of the Change of Control.

### Shareholder approval

Shareholder approval for the issue of the FY17 Performance Rights to Mr Vassie is sought for all purposes under the Corporations Act and the ASX Listing Rules, including in particular, ASX Listing Rule 10.14, and sections 200B and 200E of the Corporations Act.

Under ASX Listing Rule 10.14, the acquisition of securities by a director under an employee incentive scheme generally requires Shareholder approval. Shareholder approval is therefore sought for the acquisition by Mr Vassie of the FY17 Performance Rights and Shares upon vesting of the FY17 Performance Rights. If approval is given under ASX Listing Rule 10.14, the grant of the rights will not use up the Company's capacity to issue equity under ASX Listing Rule 7.1.

Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or a related body corporate if it is approved by Shareholders in accordance with section 200E or an exemption applies. Section 200B of the Corporations Act applies to managerial or executive officers of the Company or any of its subsidiaries, which includes Mr Vassie. The term 'benefit' has a wide operation and, in effect, includes the automatic or accelerated vesting of the FY17 Performance Rights under the rules of the RP.

It is proposed, therefore, that this resolution will also approve, under section 200E of the Corporations Act, any 'termination benefit' that may be provided to Mr Vassie under the RP in relation to the FY17 Performance Rights to be granted to him, in addition to any other termination benefits that may be provided to Mr Vassie under the Corporations Act. The termination benefit that may be given under the RP is the early vesting of the FY17 Performance Rights (and the receipt of Shares upon exercise of the FY17 Performance Rights) if Mr Vassie ceases employment with the Company due to death, disability, bona fide redundancy or other reason with the approval of the Board.

The value of such benefits cannot presently be ascertained but matters, events and circumstances that will, or are likely to, affect the calculation of that value include:

1. the number of performance rights held by Mr Vassie prior to cessation of employment;

2. the number of performance rights that vest (which could be all of the performance rights held by Mr Vassie). The Board's decision as to the number of performance rights that vest will depend on, among other things, the circumstances of Mr Vassie's cessation of employment (for example, whether due to death, disability, redundancy or other reasons approved by the Board), the Board's assessment of Mr Vassie's performance in the period up to cessation of employment, the degree to which the performance conditions have been met at the relevant time, and the duration of Mr Vassie's employment; and
3. the market price of Shares on ASX on the last ten ASX trading days up to and including the date of calculation.

The number of performance rights that could vest upon Mr Vassie ceasing employment, where the Board determines to permit performance rights to vest, will not exceed the maximum number of performance rights held by Mr Vassie.

**Disclosures made for the purposes of ASX Listing Rule 10.15:**

In accordance with ASX Listing Rule 10.15, the Company notes that:

- the maximum number of securities that can be awarded to Mr Vassie if this resolution is approved is 196,708 FY17 Performance Rights, entitling Mr Vassie to a maximum of 196,708 Shares if all FY17 Performance Rights subsequently vest;
- the price payable on the issue, vesting or exercise of each FY17 Performance Rights is nil;
- Mr Vassie was granted 1,104,674 performance rights for nil cash consideration on 10 December 2015 under the Performance Rights Plan (**PRP**) approved by the Board on 22 September 2015, the material details of which are summarised in this document;
- Mr Vassie is the only Director entitled to participate in the RP because he is the only Executive Director and the Company has not declared any Non-Executive Director as being eligible to participate in the RP;
- there have not been any grants made to any Director or associate of a Director under the PRP or the RP since Shareholder approval was last obtained at the Company's Annual General Meeting held on 27 November 2015, aside from the issue of 1,104,674 performance rights (for nil cash consideration and no amount payable on vesting) to Mr Vassie on 10 December 2015, in accordance with Shareholder approval obtained at the Company's Annual General Meeting held on 27 November 2015;
- there is no loan proposed in relation to the proposed award of the FY17 Performance Rights to Mr Vassie; and
- Mr Vassie's FY17 Performance Rights are intended to be issued by 31 December 2016 and in any event will not be issued later than 12 months after the date of the Meeting.

**Board recommendation**

The Board, with Mr Vassie abstaining, unanimously recommends the approval of the issue of the performance rights and of the related termination benefits to Mr Vassie and, accordingly, that Shareholders vote in favour of this resolution.

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## Schedule: Performance rights – Further details

Performance rights to be granted to Key Management Personnel in respect of the 2017 financial year (**FY17 Performance Rights**) will be offered pursuant to the terms of the Rights Plan (**RP**) approved by the Board on 22 September 2015 and the performance conditions set out below.

**1. Performance rights pricing**

The issue price of the performance rights is based on the 10 day volume weighted average price (**VWAP**) on the ASX of the Company's share price up to, and including, the last business day of the financial period immediately preceding the period that the performance rights relate to.

FY16 Performance Rights are priced at \$2.92 per right, based on the 10 day VWAP up to and including 30 June 2016.

**2. Performance conditions for performance rights**

The performance conditions for FY17 Performance Rights will be measured over a three year vesting period commencing 1 July 2016 and ending on 30 June 2019. This vesting period may be extended by up to two years if retesting becomes necessary. Vesting conditions include satisfying conditions relating to:

- Relative Total Shareholder Return (67% weighting); and
- Return on Capital Employed (33% weighting).

**3. Change of Control**

In the event of a Change of Control of the Company, the RP provides that the Board may, in its absolute discretion, determine that all or a specified number of FY17 Performance Rights vest, having regard to whether pro-rata performance is consistent with the performance conditions applicable to those FY17 Performance Rights over the period from the date of grant to the date of the Change of Control.

**4. Percentage of relevant total fixed remuneration offered as LTIs for the 2017 financial year**

Managing Director and Chief Executive Officer	75%
Executive General Manager	60%

The Board has the discretion to vary the relevant percentage each year, having regard to external advice and / or relevant market benchmarks.

**5. An example of how performance rights are calculated for the 2017 financial year (assuming the maximum award level) is set out below:**

Executive Level 5 Total Fixed Remuneration (TFR)	\$400,000 (example only)
LTI award value 60% of TFR	\$240,000 (i.e. 60% of TFR)
Performance rights issue price (10 day VWAP)	\$2.92
Performance rights to be granted ( $\$240,000 \div \$2.92$ )	82,192 rights

**6. Relative TSR**

The Relative Total Shareholder Return (**Relative TSR** or **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. 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)	Ramellus 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)
Kingsrope Mining Limited (ASX:KRM)	Tanami Gold NL (ASX: TAM)
Medusa Mining Limited (ASX: MML)	Troy Resources Limited (ASX: TRY)
Northern Star Resources Ltd (ASX: NST)	Oz Minerals Limited (ASX: OZL)

At the discretion of the Board, the composition of the comparator group may change from time to time.

TSR measures the growth for a financial year in the price of shares plus cash distributions notionally reinvested in shares. Company and comparator TSR performances are measured using 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, and in determining the closing TSR performances at the end of the three year period and, if retesting applies, at the end of the fourth and fifth year. Where a comparator company ceases to be listed on the ASX during the vesting period, the corresponding TSR is adjusted, taking into account the period the ceasing company was listed and the average TSR of the remaining comparator companies.

Except when otherwise determined in the discretion of the Board, the proportion of a grant that is subject to a TSR vesting condition will not vest unless the Company's TSR for the vesting period is greater than nil.

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 2016 and ending on 30 June 2019 as outlined below:

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

## 7. Return on Capital Employed (ROCE)

The proportion of the 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 on 30 June 2019 as outlined below:

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%

## 8. Example of calculation of the number of performance rights to vest

Assuming the following measures over the three year vesting period commencing on 1 July 2016 and ending on 30 June 2019:

- Relative TSR: 70%
- ROCE WACC + 4%

then the following proportion of performance rights will vest:

- (a) **Relative TSR**  
Weighting: 67%  
Actual score: 70<sup>th</sup> percentile  
Calculation: 50% (for achieving the 50<sup>th</sup> percentile)  
+  $((70\% - 50\%) \div (75\% - 50\%)) \times (100\% - 50\%)$   
= 90%
- (b) **Return on Capital Employed (ROCE)**  
Weighting: 33%  
Actual ROCE: WACC + 4%  
Calculation: 50% (for achieving the 50<sup>th</sup> percentile)  
+  $((4\% - 3\%) \div (7\% - 3\%)) \times (100\% - 50\%)$   
= 62.5%
- (c) **Combined score**  
 $(90\% \times 67\%) + (62.5\% \times 33\%) = 80.9\%$

Using the above example of an executive being issued with 82,192 performance rights, based on the above 80.9% combined score, 66,493 (= 80.9% x 82,192) performance rights will vest.

## 9. Retesting

Due to the cyclical nature of the gold industry, at its discretion the Board may choose to retest the relevant performance rights for the same performance conditions (i.e. RTSR above 50th percentile and ROCE above WACC +3%) one year after the original vesting period (and potentially again one year later).

In the event that none of the rights vest at the end of the three year vesting period, the vesting period will be extended by one year and a second testing for vesting will occur following the end of the extended period using the same vesting scales as at paragraphs 6 and 7 above. If none of the rights vest at the second test, the vesting period will be extended by a further year and a third test for vesting will occur following the end of the extended period using the same vesting scales as at paragraphs 6 and 7 above.

Performance rights would only vest over an extended vesting period (of four or five years), with Board discretion, if there was positive total shareholder return, and minimum threshold performance for RSTR and ROCE, over the extended vesting period.



St Barbara Limited

ABN 36 009 165 066

## Lodge your vote:



Online:

[www.investorvote.com.au](http://www.investorvote.com.au)



By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 653 935  
(outside Australia) +61 3 9415 4356

SBM

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form



### Vote and view the annual report online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

### Your access information that you will need to vote:

Control Number: 9999999

SRN/HIN: I9999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



**For your vote to be effective it must be received by 11:00am (Melbourne time)  
on Monday, 28 November 2016.**

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

## Signing Instructions for Proxy Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

## Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** ➔

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark ☒ to indicate your directions

STEP 1

### Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of St Barbara Limited hereby appoint



the Chairman  
of the Meeting

OR



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of St Barbara Limited to be held in the Royce Conference Room, Royce Hotel, 379 St Kilda Road, Melbourne, Victoria on Wednesday, 30 November 2016 at 11.00am (Melbourne time) and at any adjournment or postponement of that Meeting.

#### Important Note:

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 4 (except where I/we have indicated a different voting intention below) even though Resolutions 1 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman. If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1 and 4 by marking the appropriate box in step 2 below.

**Please Note:** To fully inform shareholders in exercising their right to vote, please note that the Chairman of the Meeting intends to vote undirected proxies in favour of each resolution.

STEP 2

### Items of Business



**PLEASE NOTE:** If you mark the **Abstain** box for a resolution, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director – Mr David Moroney	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Appointment of new auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of issue of performance rights to Mr Robert (Bob) Vassie, Managing Director and Chief Executive Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SIGN

### Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_

Date / /

S B M

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Computershare +