St Barbara Limited

Gold Production Up 84%, Gwalia Successfully Commissioned

Production Summary

- Gold production of 67,598 ounces for the Quarter represents an increase of 30,881 ounces or 84% on September 2008 Quarter production.
- First Gwalia Deeps production stope produces 10,200 tonnes @ 20.8 grams per tonnes gold (g/t) for 6821 ounces, compared to resource model estimate 9,820t @ 7.7 g/t for 2,434 ounces for that stope.
- Cash operating costs for the Quarter at Southern Cross Operations were A$777 (US$521) per ounce and Gwalia Underground A$534 (US$358) per ounce.

Operations – Leonora

- Leonora gold production was 27,309 ounces for the Quarter.
- Gold production of 13,564 ounces for the month of December included 9,129 ounces from Gwalia Underground at a cash operating cost of A$483 (US$325) per ounce.
- Plant throughput exceeded design capacity, with high metallurgical recoveries achieved.

Operations – Southern Cross

- Southern Cross gold production increased to 40,289 ounces in the Quarter at a reduced cash operating cost of A$777 (US$521) per ounce.
- Marvel Loch Underground ore production for the Quarter of 251,170 tonnes @ 3.9 g/t gold exceeded budget.
- Primary and secondary crushers rebuilt during December resulted in improved throughput and recoveries.
- Stockpiles as at 31 December 2008 of 409,000 tonnes @ 1.6 g/t for 20,600 contained ounces.

Exploration

- Significant intersections of 18.0m @ 4.2g/t from 147m, 7.9m @ 8.2g/t from 157m and 6.0m @ 8.5g/t from 238.9m continued to be achieved at Tower Hill, Leonora.
- Drilling to test the open pit potential of Edward's Find, 15km SW of Marvel Loch, returned significant results including 10m @ 7.8g/t from 57m, 29m @ 2.6g/t from 58m and 12m @ 6.1 from 61m.

Safety

- St Barbara's Classified Injury Frequency Rate has fallen by 27% in the current financial year to 10.2, and is less than the WA Gold Industry 2007-2008 average of 10.8.

Finance

- Cash at bank as at 31 December 2008 was A$43.9 (US$30.8) million including cash required to secure a bank guarantee facility of A$23.4 (US$16.4) million.
- The weighted average gold price achieved for the Quarter was A$1,194 (US$801) per ounce.
- Southern Cross Operations was cash flow positive A$13.1 (US$8.8) million for the Quarter and Leonora Operations was cash flow positive A$2.4 (US$1.6) million for the month of December 2008.
- The Company has no gold hedging.

Corporate

- Comprehensive review of corporate and operations support costs has been completed with estimated annual savings from FY10 onwards of 15-20%.
- Review of operations costs and capital expenditure underway.
- Tim Lehany appointed Managing Director and CEO with effect from 2 March 2009.
- Martin Reed appointed COO, commenced 12 January 2009.

Outlook for Second Half of Financial Year 2009

- The gold production forecast for the second half of the year is 145,000 to 155,000 ounces at a cash operating cost of A$750 (US$530) to A$770 (US$540) per ounce, compared with the first half production of 104,000 ounces at a cash operating cost of A$815 per ounce.

Eduard Eshuys
Managing Director & CEO
22 January 2009

Operations

Gold Production Summary

The successful commissioning of Leonora Operations has transformed the company into a two mine producer with attendant benefits of scale and risk reduction. Gold production totalled 67,598 ounces of gold, up 30,881 ounces or 84% on production for the September 2008 Quarter with the increase largely attributable to Leonora.

Summary

Gold Production	Dec Qtr 08		Sep Qtr 08	
	ounces	A$/oz	ounces	A$/oz
Southern Cross	40,289	777	36,717	862
Gwalia	**17,093**	**534**	-	-
Trump	10,216	1,366	-	-
Leonora	27,309	819	-	-
Total	**67,598**	**794**	**36,717**	**862**

Leonora Operations

Production Summary		Dec Qtr 08
Underground Ore Mined	t	71,297
Grade	g/t	6.9
Open Pit Ore Mined	t	156,102
Grade	g/t	1.6
Ore Milled	t	343,079
Grade	g/t	2.6
Recovery	%	94
Gold Production	oz	**27,309**

Gold production commenced at Leonora Operations on 22 October.

In October and November, ore production, to assist in commissioning the Gwalia mill, was sourced from lower grade ore from the Gwalia West Lode in the Gwalia Intermediates and Trump open pit, eight kilometres to the north.

Production for the month of December was 13,564 ounces, with 9,129 ounces coming from Gwalia Deeps and West Lode at a cash operating cost of A$483 (US$325) per ounce for Gwalia underground production.

First ore production from Gwalia Deeps occurred in mid-December from the 1050 level. The first ore block of this stope produced 10,200t @ 20.8 g/t gold for 6,821 contained ounces. The balance of Gwalia underground production was from West Lode. Ground conditions in the Deeps are competent with minimal mining dilution.

The new gas fired power station is expected to be fully operational in January, providing savings compared to the current diesel powered generation.

During the March 2009 Quarter, the paste fill plant will be commissioned and the first stope will be filled as part of the mining process.

Gwalia Mine Grade Reconciliation

The mining and processing of the first Gwalia Deeps stope on the 1050 level has resulted in a significant positive reconciliation. Actual reconciled mine production for the first stoped ore block of the 1050 level was 10,200t @ 20.8g/t for 6,821 oz, compared to the June 2008 resource model prediction of 9,820 t @ 7.7g/t for 2,434 oz.

Development

The Hoover Decline – the main decline for the long term Gwalia mine - was at 1,103 metres below surface (mbs) as at 31 December 2008. The Barden Decline to be used to access ore production stopes for the remainder of the 2009 calendar year, was at 1086 mbs in line with mine plan forecasts.

A cross section of the Gwalia mine, comprising historic open pit, historic inclined shaft of Gwalia Intermediates and Gwalia Deeps, is set out in Figure 2 attached.

The current position and future development of the Hoover and Barden Declines, and the location of production from Gwalia Deeps are shown in Figure 3 attached.

Current Probable Reserves for Gwalia Deeps, are 6 Mt @ 9.0 g/t for 1.7 million ounces to a depth of 1,600 mbs.

Open Pit Production

Production from Trump open pit was used as a source of ore feed during the mill commissioning phase during the quarter. The complexity of the ore body resulted in higher stripping ratios than expected and greater dilution. This led to cash costs per ounce being higher than forecast. However, production from Trump will be cash flow positive for January and mining will be completed by end of January 2009.

As previously announced, waste stripping at Kailis was deferred during the quarter.

Mill Operations

Mill throughput increased as all areas of the mill were progressively commissioned. By December, the mill was running above design capacity at an annualised rate of 1.6 million tonnes per annum with metallurgical recovery of 96%.

Cash Operating Costs	Gwalia UG	Dec Qtr 08
Gold Production	17,093	27,309
Costs		
Mining	405	656
Processing	132	264
Site Services	37	74
Stripping and ore inventory adjustments	(58)	(188)
	516	806
By product credits	(3)	(8)
Third party refining and transport costs	1	1
Royalties	20	20
Total Cash Operating Cost	**534**	**819**

Cash operating costs are based on production using the principles set out in the Gold Institute production cost standard.

At the completion of the Trump open pit at the end of January 2009 the mill will revert to campaign milling in line with the Gwalia Feasibility Study.

Outlook

Gold production from Leonora Operations for the second half of the fiscal year is forecast to be 60,000 to 65,000 ounces of gold at a cash operating cost of A$660 (US$465) to A$680 (US$480) per ounce.

The reduction in forecast production of approximately 7,000 ounces of gold is due to a short term timing delay – with two Gwalia Deeps production stopes previously scheduled to be mined in June 2009 now being scheduled to be mined in July 2009.

The increase in unit costs of approximately A$130 (US$90) per ounce is principally reflective of the decease in production. Incremental costs associated with reverting to campaign milling, as contemplated in the Gwalia Feasibility Study, and higher open pit mining costs in completing the Trump open pit in January are also contributing factors.

Southern Cross Operations

Gold production for the quarter was 40,289 ounces at a cash operating cost of A$777 (US$521) per ounce. Cash operating costs were lower compared to the previous quarter due to higher underground production grades and improved mill recoveries.

Mining Operations

Marvel Loch remains the mainstay of Southern Cross Operations. Marvel Loch Underground ore production of 251,170 tonnes @ 3.9 g/t gold for the quarter exceeded budget. Next quarter, underground production will predominantly be from Exhibition Lode.

Production Summary		Dec Qtr 08	Sep Qtr 08
Underground Ore Mined	t	251,170	266,707
Grade	g/t	3.9	3.2
Open Pit Ore Mined	t	249,286	281,957
Grade	g/t	1.6	1.6
Ore Milled	t	555,319	547,092
Grade	g/t	2.6	2.4
Recovery	%	89	87
Gold Production	oz	**40,289**	**36,717**

Open pit production came from Norton, Pakistani and Grand National. The Norton pit was completed during the quarter. Production from Grand National and Pakistani will be completed in the March 2009 quarter.

Final mining studies are being completed on Kurrajong which is expected to be the next open pit to be developed.

Mill Operations

A rebuild of the primary and secondary crushing circuits in December led to improved throughput and recovery. Further work on the mill is planned in the March 2009 Quarter, particularly in the leach circuit, with total capital expenditure for the year expected to be in line with forecast of A$7 (US$4.9) million.

Run of Mine (ROM) stock piles as at 31 December 2008 totalled 409,000 tonnes @ 1.6 g/t for 20,600 contained ounces.

Cash Operating Costs	Dec Qtr 08	Sep Qtr 08
Gold Production	40,289	77,006
Costs		
Mining	446	491
Processing	279	277
Site Services	41	45
Stripping and ore inventory adjustments	(17)	(17)
	749	796
By product credits	(5)	(6)
Third party refining and transport costs	2	2
Royalties	31	26
Total Cash Operating Cost	**777**	**818**

Outlook

Gold production from Southern Cross Operations for the second half of the 2009 financial year is forecast to be 85,000 to 90,000 ounces of gold, at a cash operating cost of A$820 (US$575) to A$840 (US$590) per ounce, and is largely unchanged.

Consolidated Production Outlook

The consolidated forecast for the second half of the financial year is 145,000 to 155,000 ounces of gold at a cash operating cost of A$750 (US$530) to A$770 (US$540)per ounce.

For the full year, and incorporating actual results for the six months to 31 December 2008, the consolidated forecast is to produce 250,000 to 260,000 ounces of gold at a cash operating cost of A$775 (US$545) to A$795 (US$560) per ounce.

Exploration

Exploration drilling for the fiscal year was substantially completed during the Quarter.

Exploration programmes focused on drilling advanced high grade underground and open-pit opportunities to complement ore from Gwalia and Marvel Loch. At Leonora the focus has been on Tower Hill; to build on the already established reserves. At Southern Cross drilling has been conducted on potential high-grade underground ore sources at Jaccoletti and open pit targets at Edward's Find. Significant intersections are summarized in Table 1 attached.

Leonora

Tower Hill

Exploration at Tower Hill targeted extensions to the existing high-grade reserves of 320,000 ounces @ 4.7g/t within the resource envelope of 1.4 million ounces. Significant intersections at shallow depths of ~135-250 metres below surface were achieved, including 18m @ 4.2 g/t from 147m, 7.9m @ 8.2 g/t from 157m, and 6m @ 8.5 from 239m. Evaluation of scenarios involving combinations of open-pit and underground mining or dedicated underground development continue to progress.

Southern Cross

Jaccoletti

A new mineral resource of 799,000oz @ 5.0g/t for 129,000oz was established at Jaccoletti following evaluation of drilling results. Potential exists to extend the resource base through depth extensions on the existing lode, and new lode positions along the 1.6km strike length of the prospect. Jaccoletti is located 1.5 kilometres from the 2.4 million tonnes per annum processing plant at Marvel Loch.

Edward's Find

The drilling program returned a number of significant intersections including 10m @ 7.8g/t from 57m, 29m @ 2.6g/t from 58m, 12m @ 6.1 g/t from 61m, 12m @ 5.4g/t from 68m, and 16m @ 3.6 g/t from 78m. Reverse circulation drilling has established an open pit resource of 500kt @ 3.1 g/t for 50koz at the Edward's Find Prospect, 15 kilometres southwest of Marvel Loch. A scoping study has commenced on Edward's Find. The resource potential of adjacent satellite deposits at Hume's and Tamarin is under evaluation. A cross-section of Edward's Find is shown in Figure 1.

Edward's Find previously operated as an underground mine, producing 500,000t @ 8.3g/t for 149,000 ounces. The oxide resources remain largely undeveloped.

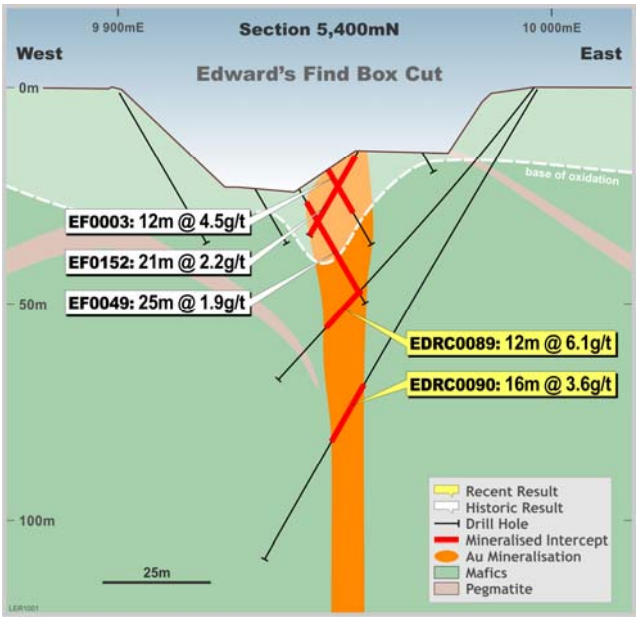

Figure 1: Edward's Find Section 5400mN

Outlook

The exploration focus at Leonora and Southern Cross Operations is on identifying higher grade underground deposits and select open pit opportunities to complement ore from Gwalia and Marvel Loch Underground respectively.

Opportunities for further drilling at Jaccoletti and Edward's Find will be reviewed following scoping studies currently in progress.

The exploration budget has been reduced to A$18 (US$12) million in the 2009 fiscal year to preserve capital.

Safety and Environment

A focus on safety leadership in the workplace and hazard identification has contributed to a 26% reduction in the Classified Injury Frequency Rate (i.e. Comprising Long Term Injury Frequency Rate and Disabling Frequency Rate) to 10.2 as at 31 December 2008. This rate is less than the last available rate for Western Australia gold industry average for the 2008 financial year of 10.8. The Company is targeting a minimum 30% reduction for the fiscal year and is on track to achieve this.

The Company has submitted its Energy Efficiency Opportunity report for calendar year 2008 and a copy is available on the Company's website: www.stbarbara.com.au

Corporate

The Company has undertaken an extensive review of all non-operational costs and taken steps to strengthen support for operations. As a consequence, reductions have been made in corporate and exploration overheads.

Whilst savings for the balance of FY09 will largely be offset by the costs of the restructure, annualised savings for 2010 onwards in corporate and operations support overheads are estimated at 15% to 20%; which equates to in excess of A$3 (US$2.1) million.

As previously advised, Mr Tim Lehany will be commencing as Managing Director and CEO as from 2 March 2009.

Support for Operations has been strengthened with the appointment of Mr. Martin Reed as Chief Operating Officer who commenced 12 January 2009. Mr Reed is an experienced mining engineer having previously worked at Bronzewing, Jundee and BHP's Ravensthorpe Nickel projects and will be based in the Company's Perth Office. Mr Reed previously worked with St Barbara and led the 2006 Gwalia Deeps Feasibility Study.

Financials

Gold shipped in the Quarter of 68,134 ounces was sold at an average gold price of A$1,194 (US$801) per ounce. The Company remains unhedged.

Cash at bank totalled A$43.9 (US$30.8) million as at 31 December 2008, which included A$23.4 (US$16.4) million as security of bank guarantees primarily relating to environmental performance bonds.

The remaining balance of $A3.3 (US$2.2) million from a A$20 (US$14.1) asset financing facility was drawn down during the Quarter. Proceeds of A$11 (US$7.4) million from the close out of the Company's remaining put options were received early in the quarter.

Capital expenditure for FY09 remains in line with budget.

Share Capital

Shares on issue as at 31 December 2008:

Shares on issue as at 1 October 2008	1,298,735,963
Add conversion of Convertible Notes	597,014
Shares on issue at 31 December 2008	1,299,332,950
Options on issue as at 31 Dec 2008	9,750,00

Unlisted options are exercisable at various prices between A$0.118 and A$0.549 up to 23 December 2011

Convertible Notes on issue	A$ 99,600,000

During the quarter, A$400,000 of Convertible Notes were converted at A$0.67 per share into 597,014 ordinary shares.

Convertible Notes are convertible at A$0.67 per share, are convertible at any time, have an 8% coupon and expire 4 June 2012.

Convertible Notes currently on issue would convert into 148,656,716 ordinary shares if all were converted.

Information as at 31 December 2008

Directors

S J C Wise ..... Chairman
E Eshuys ..... Managing Director & CEO
D W Bailey ..... Non-Executive Director
B J Gibson ..... Non-Executive Director
P C Lockyer ..... Non-Executive Director
R K Rae ..... Non-Executive Director
R J Kennedy ..... Company Secretary

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Website: ..... www.stbarbara.com.au

Substantial Shareholders	**% of Holdings As Notified**
M&G Group*	10.01%
Macquarie Group Limited	9.28%
Resource Capital Fund IV LP	6.04%

* M&G Group's interest includes 87,000,000 shares disclosed by Vanguard Precious Metals & Mining Fund

Australian Securities Exchange Listing ..... SBM
Singapore Exchange Listing .... Convertible Notes

Shareholder Enquiries

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Telephone (international): ..... +61 3 9415 4356
Facsimile: ..... +61 3 9473 2500

Exchange Rate

A$ amounts converted at A$1:

- at 31/12/08 ..... US$0.7027
- for Quarter average ..... US$0.6707
- December 2008 month average ..... US$0.6725

Figure 2: Gwalia Mine, Leonora

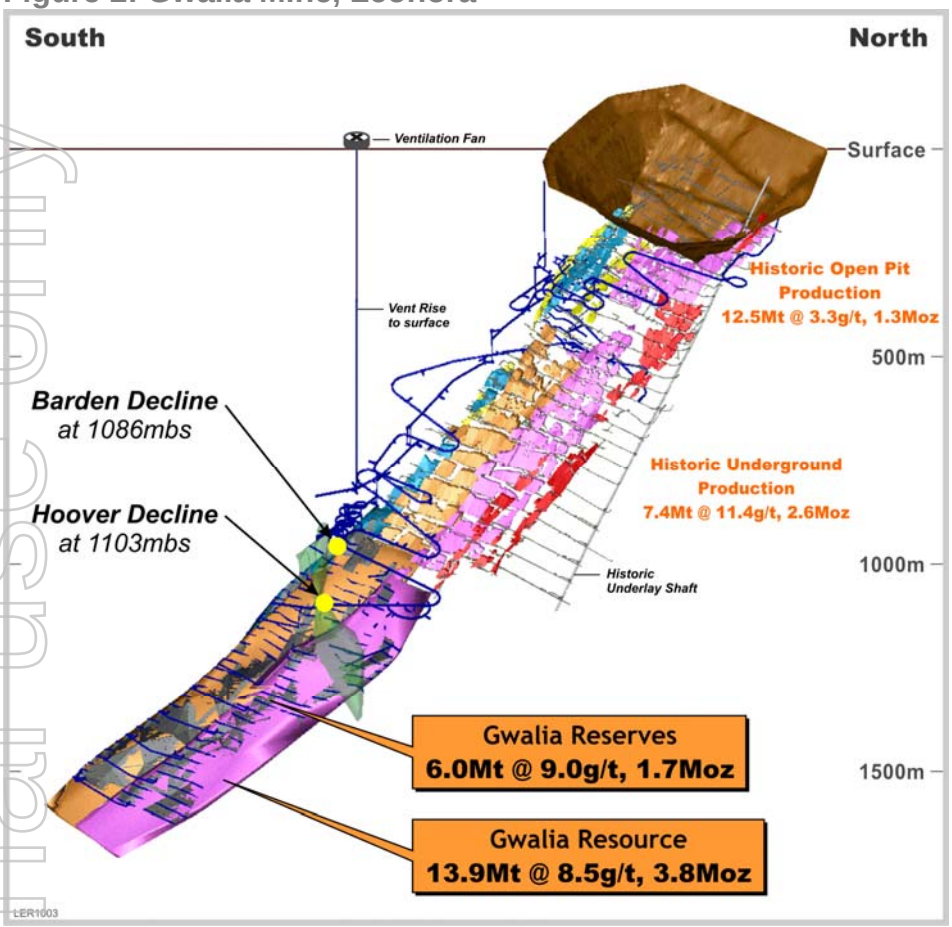
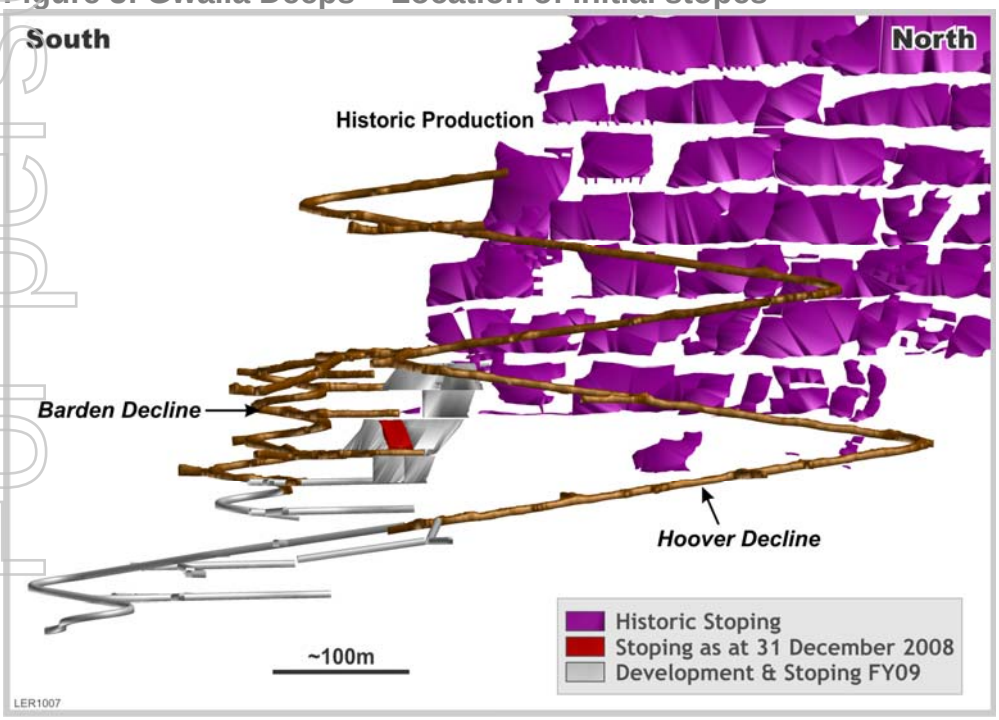


Figure 3: Gwalia Deeps – Location of initial stopes



This diagram places the current mining activity in perspective relative to historic underground mine production.

Table 1: Significant Gold Intersections

Hole No	North	East	Dip/Azi	Mineralised Intersection From m	Length m	Gold g/t
LEONORA						
Tower Hill						
TWRD0340	6801900	336677	-70/268	147	18.0	4.2
TWRD0337	6801879	336696	-60/270	157	7.9	8.2
TWRD0347	6802598	336735	-78/269	238.9	6.0	8.5
TWRD0345	6801916	336675	-55/280	136.4	5.6	9.0
TWRD0350	6802380	336625	-80/270	154	5.0	7.6
SOUTHERN CROSS						
Jaccoletti						
JARC0002	6515318	736096	-51/225	196	8	16.1
Edward's Find						
EDRC0131	6504929	726529	-60/248	57	10.0	7.8
EDRC0105	6505033	726407	-50/74	58	29.0	2.6
EDRC0089	6505151	726497	-50/248	61	12.0	6.1
EDRC0110	6505306	726435	-63/240	68	12.0	5.4
EDRC0090	6505151	726497	-60/246	78	16.0	3.6
EDRC0093	6504997	726455	-55/55	58	9.0	4.9
EDRC0113	6505398	726357	-60/249	42	11.0	3.7
EDRC0130	6504946	726573	-60/251	5	4.0	9.7
EDRC0134	6504874	726493	-60/70	50	9.0	4.2
EDRC0112	6505332	726409	-59/250	49	8.0	3.8
EDRC0095	6505119	726503	-59/247	69	11.0	2.7
EDRC0096	6505214	726430	-60/69	12	2.0	12.3
EDRC0097	6505205	726413	-60/70	50	7.0	2.4
EDRC0111	6505338	726425	-60/249	74	8.0	1.8
EDRC0103	6505146	726368	-60/70	70	4.0	3.2

Mineralised intersection lengths quoted are downhole. Intercepts have been calculated based on cut-off grades of 2.8g/t for Tower Hill, 2.0g/t for Jaccoletti, and 0.6g/t for Edward's Find.

Competent Person Statement

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