ASX Announcement
25 August 2021

RECORD A$648M CASH EARNINGS

Result incorporates Saracen from 12 February 2021, highlighting the merged Group's outlook for strong, profitable growth as production rises to 2Mozpa

Cash Earnings is defined as Underlying EBITDA less net interest, tax and sustaining capital. Given the non-cash impact of statutory merger accounting rules to the Company's statutory accounts, this metric provides a better understanding of the quality of earnings of Northern Star on an ongoing basis.

KEY POINTS

- **Cash Earnings[i] of A$648M, reflects the strength of the underlying business**
- **New Dividend Policy introduced, targeting a total annual dividend payment of 20-30% of Cash Earnings**
- **Final dividend A9.5cps fully-franked (31% of Cash Earnings, providing a higher return to shareholders than under the previous Policy, equates to 6.7% of Revenue); Takes full-year payout to A19cps fully-franked**
- **Statutory NPAT A$1.03B; Underlying NPAT[ii] A$372M**
- **EBITDA[iii] A$2.27B; Underlying EBITDA[iv] A$1.16B**
- **Annualised[v] gold recovered rises 13% to 1,605,405oz (FY2020: 1,425,591oz)**
- **Annualised[v] all-in sustaining costs (AISC) of A$1,483/oz (FY2020: A$1,350/oz)**
- **Cash and bullion A$799M at 30 June 2021 (A$748M at 30 June 2020); excludes A$400M in proceeds from Kundana Assets sale received on 18 August 2021**
- **Corporate bank debt of A$662M at 30 June 2021**
- **FY22 guidance 1.55-1.65Moz at an AISC of A$1,475-$1,575/oz; FY22 net growth capital is A$570M**
- **Profitable production growth to 2Moz per annum by FY26**

Northern Star Resources Limited (ASX: NST) is pleased to report its first financial results since merging with Saracen Mineral Holdings.

The results for the year to 30 June 2021, which incorporate Saracen from 12 February, demonstrate the strong outlook for the Company as it implements its strategy to generate profitable production growth, culminating in forecast annual output of 2Moz by FY2026.

Cash Earnings were A$648 million, reflecting record production volumes and a steady Australian-dollar gold price.

Northern Star Managing Director Stuart Tonkin said the results provided valuable insight into the scale, profitability and growth potential of the enlarged Company.

"With the completion of the merger, we have established a simple, effective strategy based on our three production centres in world class locations," Mr Tonkin said.

"We have a clear five-year pathway to annual production of 2Moz a year with a strong emphasis on ensuring it is profitable growth.

"This strategy involves investing capital in those projects which will generate the strongest returns and actively managing our asset portfolio to maximise this outcome.

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"We have an enviable asset base and world-class inventory with significant scope for further organic growth. And as these result show, we have the balance sheet and cash strength to unlock the full value of these opportunities in a way which will drive strong financial returns."

Annualised[v] gold sales were 1,595koz at an average price of A$2,277/oz with an AISC of A$1,483/oz.

Revenue was A$2,761 million (excluding 56koz or A$120 million of gold sales derived from pre-commercial mine development activities, which was offset against the capital development cost of these new growth projects in the balance sheet).

Underlying EBITDA is after adjusting for specific items. These include impairment charges of A$546 million and a number of items in relation to the statutory merger accounting requirements, including a pre-tax A$1,919 million gain on measurement of Northern Star's existing 50% interest in KCGM, and A$232 million in acquisition and integration costs. Note however, that these underlying results have not been adjusted for the incremental, post-merger uplifted value of KCGM stocks drawn down (reflected in cost of sales) and the higher depreciation and amortisation charge in relation to the revalued Saracen assets from 12 February to 30 June 2021. This non-cash, incremental amount resulted in ~A$140 million additional pre-tax expense charged to the profit and loss.

Northern Star has adopted Cash Earnings, defined as Underlying EBITDA less net interest, tax and sustaining capital, as a key measure of the Company's financial performance going forward. Given the non-cash impact of statutory merger accounting rules to the Company's statutory accounts, this metric provides shareholders with a better understanding of Northern Star's quality of earnings on an ongoing basis. Cash Earnings will be a key tenet in capital management decisions and is therefore the basis of the new Dividend Policy.

At 30 June 2021, Northern Star had total available liquidity of A$1,141 million, before proceeds of the A$400 million sale of the Kundana Assets received on 18 August 2021.

Northern Star's results conference call will be held today at 9:00am AEST (7:00am AWST). The call can be accessed at:
https://webcast.boardroom.media/northern-star-resources-ltd/20210824/NaN6111e828a6ada7001ccf5c94

OVERVIEW

Northern Star is pleased to report strong financial and operational results for FY21.

Headlines include Underlying EBITDA of A$1,159 million and Cash Earnings of A$648 million, reflecting record production volumes and a steady Australian-dollar gold price.

Table 1: Key financial and operating results for the full year ended 30 June 2021

Key financials[1]	Units	FY21	FY20	% Variance
Revenue	A$M	**2,761**	1,972	40
EBITDA	A$M	**2,268**	717	216
Underlying EBITDA	A$M	**1,159**	791	47
Cash earnings	A$M	**648**	588	10
Profit before income tax	A$M	**1,584**	345	359
Net profit after tax (NPAT)	A$M	**1,032**	258	300
Underlying NPAT	A$M	**372**	291	28
Operating cash flow	A$M	**1,077**	710	52
Cash and bullion	A$M	**799**	748	7
Margins				
Underlying EBITDA	%	**42.0**	40.1	5
Underlying NPAT	%	**13.5**	14.8	(9)
Production[2]				
Annualised gold sold[3]	koz	**1,595**	1,429	12
Annualised all-in sustaining cost (AISC)	A$/oz	**1,483**	1,350	(10)
Annualised average gold price realised	A$/oz	**2,277**	2,184	3

[1] EBITDA, Underlying EBITDA, Cash Earnings and Underlying NPAT are non-GAAP measures. Table reconciling to statutory NPAT included below.
[2] Production metrics include Carosue Dam, Thunderbox and 100% of KCGM from 1 July 2020 (implementation date 12 February 2021).
[3] Gold sold includes 109koz of pre-production sales (FY20: 14koz).

UNDERLYING NPAT

Reconciliation of Underlying NPAT is presented below.

Table 2: NPAT to Underlying NPAT reconciliation

	Units	FY21	FY20
Net Profit After Tax	A$M	1,032	258
Add:			
Acquisition & Integration Costs	A$M	232	45
Impairment Charges	A$M	546	28
Financial instrument fair value adjustments	A$M	19	1
Losses taken up on associates	A$M	2	4
Finance transaction costs	A$M	4	-
Merger fair value uplift: ROM & gold-in-circuit inventory[1]	A$M	74	-
Less:			
Pre-tax gain on remeasurement of KCGM (NST 50% share)	A$M	(1,919)	-
Tax Adjustments:			
Tax effect on adjustments	A$M	313	(23)
Permanent differences on merger[2]	A$M	70	-
Echo Resources tax losses	A$M	-	(22)
Underlying NPAT	A$M	372	291

[1] Run-of-mine (ROM) stockpiles and gold-in-circuit inventory at the time of the merger was required to be remeasured to fair value, resulting in a non-cash increase of A$74 million. This adjustment represents the specific non-cash amount expensed in FY21 on sale of the contained gold.
[2] A proportion of stamp duty attributed to KCGM is non-deductible for tax purposes, which results in a permanent tax difference that increases the current year's effective tax rate (income tax expense divided by profit before income tax per profit and loss).

UNDERLYING EBITDA AND CASH EARNINGS

Reconciliation of Underlying EBITDA and Cash Earnings is presented below.

Table 3: Underlying EBITDA and Cash Earnings adjustments

	Units	FY21	FY20
Net Profit After Tax	A$M	1,032	258
Tax	A$M	551	86
Depreciation & Amortisation	A$M	660	355
Interest Income	A$M	(4)	(4)
Finance Costs	A$M	28	22
EBITDA	A$M	2,268	717
Financial instrument fair value adjustments	A$M	19	1
Impairment charges	A$M	546	28
Pre-tax gain on remeasurement of KCGM (NST 50% share)	A$M	(1,919)	-
Acquisition & Integration Costs	A$M	232	45
Merger fair value uplift: ROM & gold-in-circuit inventory[1]	A$M	74	-
Delivery of SAR non-cash hedge book[2]	A$M	(60)	-
Underlying EBITDA	A$M	1,159	791
Sustaining Capital	A$M	356	157
Net Interest Paid	A$M	14	5
Income Tax Paid	A$M	141	41
Cash Earnings	A$M	648	588

[1] Run-of-mine (ROM) stockpiles and gold-in-circuit inventory at the time of the merger was required to be remeasured to fair value, resulting in a non-cash increase of A$74 million. This adjustment represents the specific non-cash amount expensed in FY21 on sale of the contained gold.
[2] The mark-to-market position on Saracen's hedge book was required to be recognised as a liability as part of the merger accounting. As the gold in those hedge contracts is delivered the liability is unwound and recorded as a non-cash increase to revenue.

DIVIDEND POLICY AND FY21 FINAL DIVIDEND

Further to the merger between Northern Star and Saracen, the Board has updated the Company's Dividend Policy to better reflect and support the 5-Year Strategy and Outlook that was released in July 2021.

Northern Star aims to pay ordinary dividends to shareholders that are sustainable over time with regard to the Company's operational related cashflow. Under the updated Dividend Policy, the Board will target a total annual dividend payment of **20-30% of Cash Earnings** generated by the business during the financial year.

Cash Earnings is defined as Underlying EBITDA less net interest, tax and sustaining capital. Following the non-cash adjustments to the Company's statutory accounts, in relation to the merger with Saracen, the Board believes that this new Policy better reflects the Company's ongoing earnings and strikes the right balance between a consistent return to shareholders whilst still maintaining a strong balance sheet and providing the flexibility to facilitate ongoing investing in exploration and value-add growth opportunities.

Further to this, the Board has determined that the final, fully-franked dividend for FY21 will be A9.5cps with a record date of 7 September 2021 and a payment date of 29 September 2021. This final dividend **reflects 31% of Cash Earnings** and provides a higher return to shareholders than would have been declared under the previous Dividend Policy. While slightly above the top end of the 20-30% Policy range on this occasion, it should be noted that Cash Earnings for FY21 included only four months contribution from the Saracen assets.

In May 2021, Northern Star introduced a Dividend Re-Investment Plan.

MERGER ACCOUNTING

Under Australian Accounting Standards, the merger between Northern Star and Saracen that completed on 12 February 2021 is treated as a "Business Combination" (rather than an Asset Acquisition) and is therefore accounted for using the "acquisition method". This method requires that the assets acquired, and liabilities assumed, are subject to an independent valuation process and accounted for at their fair values at completion. In addition, all related transaction costs (including stamp duty) are expensed, rather than capitalised.

On completion, shares in Saracen were converted to Northern Star shares at a fixed ratio of 0.3763 new Northern Star Shares for every 1 Saracen share held on the record date. Consequently, 422,480,346 Northern Star shares were issued on that date.

Impact on FY21 Statutory Accounts

The deemed consideration of the merger transaction was A$5.1 billion which was determined with reference to the 1-day volume weighted average Northern Star share price on 12 February 2021 of A$12.09/share.

Saracen's net asset value prior to the merger date was A$1.7 billion and accordingly, there was an increase to Saracen's net assets of A$3.4 billion. In addition, as the merger resulted in Northern Star obtaining control over the KCGM Joint Operation, Accounting Standards required that the Company's existing 50% interest in KCGM be remeasured to fair value. This resulted in a further increase to net assets of A$1.3 billion with a corresponding gain in post-tax earnings.

The total increase in net assets of the combined group is therefore A$4.7 billion. As noted above, this fair value uplift is allocated across the relevant assets and liabilities in the consolidated balance sheet. A significant proportion of this increase has been allocated to mine properties, inventory and property, plant and equipment.

Acquisition and Integration Costs

Acquisition and integration costs (including a provision for stamp duty) in relation to the merger of A$232 million have been expensed through the FY21 Profit and Loss Statement.

Impact on FY21 and future Statutory Accounts

From 12 February 2021, the increase in the asset book values will be expensed in the Company's profit and loss statement and will result in increased future non-cash charges. These future charges will be reflected as an increase in costs of goods sold (via expensing of revalued inventory on processing and selling gold produced), amortisation (mine properties) and depreciation (property, plant, and equipment) charges.

Indicatively, subject to a number of operating assumptions, the impact of the merger accounting on these categories will see depreciation and amortisation increase by A$200-250/oz, to A$600-$700/oz sold.

Additionally, as material is processed from stockpiles at KCGM, the non-cash charge to profit and loss will increase by approximately A$260/oz, to ~A$1,000/oz.

CARRYING VALUE ADJUSTMENTS

In FY21, the Company has recognised asset impairments of A$546 million. The two major components of this are:

KCGM Sub-Grade Stockpiles

The implementation of the growth strategy at KCGM continued to realise operational and financial benefits throughout FY21. The merger with Saracen during the year also gave Northern Star 100% control of KCGM, thereby simplifying decision making processes and allowing decisions about the Group's enlarged Kalgoorlie Operations to be made in contemplation of each other, without KCGM being ringfenced within a joint venture structure.

The growth strategy at KCGM included the opening-up of more mining fronts, investment in new, more efficient mining equipment, the introduction of productivity improvements at both the open pit and underground operations, the announcement of reserve and resource upgrades and the trialling of Mt Charlotte ore processing at Kanowna Belle.

The activities undertaken during FY21 have resulted in both mined tonnes and ounces at KCGM materially exceeding forecasts and the impact of these initiatives has meant that the large historical stockpile on site (19.0Mt at ~1.02g/t for ~620koz) has not been depleting at the rate initially expected.

The above operational improvements, combined with the post-merger strategy have increased uncertainties about whether and/or when the sub-grade stockpile (mineralised waste) reserves at KCGM will be processed (105Mt at ~0.68g/t for ~2.3Moz). Consequently, these stockpiles have been written down to nil at 30 June 2021, with a corresponding A$436 million impairment recognised in profit and loss.

Exploration Assets

A comprehensive review of the carrying amount of exploration assets was undertaken up to 30 June 2021. A$101 million was written off during FY21 with approximately A$92 million written off post-merger in the second half of the year.

The impairments were largely attributable to the revised focus on key assets post-merger with Saracen, whereby it is no longer envisaged significant spend will be incurred with respect to certain areas, prioritisation of expenditure across a larger portfolio, and certain areas where exploration activities did not lead to resource growth.

TREATMENT OF GOLD SALES DERIVED FROM DEVELOPMENT ACTIVITIES

Approximately A$120 million of gold sales (56koz)[1] was derived from (pre-commercial) mine development activities and offset against growth capital. Note, this value corresponds to the value recorded in the Group's financial statements, prepared with the effects of the merger with Saracen Minerals Holdings incorporated from 12 February 2021.

GROWTH CAPITAL AND EXPLORATION

Growth-related project development (net of development receipts) and exploration expenditure totalled A$499 million in FY21.

FY22 guidance is A$710 million, comprising A$570 million growth capital (net of $112M of development receipts) and A$140 million exploration.

[1] The pre-commercial production gold sales shown in NST's June Quarterly Report represents annualised pre-commercial ounces as if Carosue Dam, Thunderbox and 100% KCGM were included from 1 July 2020.

Table 4: Growth Capital and Exploration Summary

A$M	FY21A[v]	FY22
Kalgoorlie		
Open Pit Development	197	196
Underground Development	42	27
CDO Mill and Paste Expansion	16	1
Other	45	37
Yandal		
Open Pit Development	55	82
Underground Development	100	86
TBO Mill and Paste Expansion	45	160
Other	48	23
Pogo		
Underground Development	4	21
Pogo Mill Expansion	38	10
Other	8	39
Gross Growth Capital	**597**	**682**
Development Receipts	**(241)**	**(112)**
Net Growth Capital	**356**	**570**
Exploration	**143**	**140**
Net Growth Capital and Exploration	**499**	**710**

As per Accounting Standards, "capitalised revenue" from gold sales relating to pre-commercial activities (Development Receipts) will be offset against the development cost of these projects in the balance sheet and will not be accounted for as sales revenue in the FY22 profit and loss statement.

From FY23, a change in Accounting Standards will require that Development Receipts are not offset against the development cost and gross Growth Capital is reported.

LIQUIDITY

At 30 June 2021, cash and bullion totalled A$799 million.

Prior to 30 June, Northern Star consolidated and re-financed its corporate debt package in alignment with the enlarged Company's strategic plans.

At 30 June 2021, Northern Star had drawn corporate bank debt totalling A$662 million (A$338 million undrawn available facilities) and has no scheduled repayments in the next 12 months.

Following receipt of proceeds from the Kundana Assets sale on 18 August 2021, A$400 million of corporate debt was repaid. At 25 August 2021 Northern Star had drawn corporate bank debt totalling A$262 million (A$738 million undrawn available facilities).

HEDGING

At 30 June 2021 the hedge book comprised 801,570 ounces at an average delivery price of A$2,286 per ounce.

Term	Dec H 2021	Jun H 2022	Dec H 2022	Jun H 2023	Total
Ounces (oz)	247,577	254,993	199,000	100,000	801,570
Gold Price (A$/oz)	2,284	2,296	2,266	2,303	2,286

CORPORATE

The issued capital of the Company at the date of this report comprises:

▪ Ordinary Fully Paid Shares (NST):	1,164,252,100
▪ Unvested Performance Rights (NSTAA):	2,040,105
▪ Unvested NED Share Rights (NSTAC):	14,328
▪ Cash and bullion at 30 June 2021:	A$799M
▪ Corporate bank debt at 30 June 2021:	A$662M
▪ Substantial shareholders:	BlackRock Inc 13.2% VanEck Inc 5.7% State Street Corporation 5.4%

This announcement is authorised for release to the ASX by Stuart Tonkin, Managing Director & CEO.

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ASX Listing Rules Disclosures

The information in this announcement that relates to the Ore Reserves and Mineral Resources, and production targets of Northern Star has been extracted from the ASX release by Northern Star entitled "Resources, Reserves and Exploration Update" dated 3 May 2021 available at www.nsrltd.com and www.asx.com (**Northern Star Announcement**).

Northern Star confirms that it is not aware of any new information or data that materially affects the information included in the Northern Star Announcement and, in relation to the estimates of Northern Star's Ore Reserves and Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the Northern Star Announcement continue to apply and have not materially changed. Northern Star confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from that announcement.

Assumptions made in relation to the Ore Reserves and Mineral Resources underpinning the production targets in that announcement are (in summary):

- Current operational capital and operating cost structures,
- Current mining and metallurgical performance,
- The gold price, exchange rate, dilution allowance and mining recovery rates are as set out in each prior public report referred to in ASX Listing Rule 5.19 disclosures, and
- 5 year gold production profiles are based on 100% current JORC compliant Ore Reserves.

Currency Conversion Rate

All currency conversions in this announcement have been converted at a currency of A$/US$ conversion rate of $0.75.

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[i] Cash Earnings is defined as Underlying EBITDA less net interest, tax and sustaining capital. This is a financial measure which is not prescribed by the International Financial Reporting Standards (IFRS). Cash Earnings has not been subject to any specific review procedures by the auditor.

[ii] Underlying NPAT stands for Underlying Net Profit After Tax. Underlying NPAT is a financial measure which is not prescribed by IFRS and represents the net profit after tax under IFRS, adjusted for specific items. The Directors believe that Underlying NPAT is an appropriate measure to assist investors with their understanding of the Company's operational performance. Underlying NPAT has not been subject to any specific review procedures by the auditor.

[iii] EBITDA stands for Earnings Before Interest, Tax, Depreciation and Amortisation and is a financial measure which is not prescribed by IFRS. EBITDA has not been subject to any specific review procedures by the auditor.

[iv] Underlying EBITDA is a financial measure which is not prescribed by IFRS and represents the EBITDA, adjusted for specific items. The Directors believe that underlying EBITDA is an appropriate measure to assist investors with their understanding of the Company's operational performance. Underlying EBITDA has not been subject to any specific review procedures by the auditor.

[v] Annualised metrics include Carosue Dam, Thunderbox and 100% of KCGM from 1 July 2020 (implementation date 12 February 2021).