

Record gold production but upward pressure on AISC

Company/ASX Code	Northern Star Resources Limited (NST)
AGM date	Thursday, November 14, 2019 (notice given on 14/10/2019)
Time and location	10.00 am QV1 Conference Centre (Function Room) Level 2, QV1 Building, 250 St Georges Terrace, Perth 6000, Western Australia
Registry	Link Market Services
Webcast	No
Poll or show of hands	Poll on all items
Monitor	David F Brooke, assisted by Robert Kelliher
Pre AGM Meeting?	Yes

Item 1	Financial Statements and Reports
ASA Vote	No vote required

Summary of ASA Position

NST recorded a total of 840,580 ozs sold in FY19. Total revenue A\$1,401,165 pcp A\$964,025.

NPAT of A\$154.7m was 20% down from the previous year (A\$194.1) despite average gold price increasing 4% to A\$1,764 over the FY19 period. The drop in NPAT was largely due to an increase in the All in Sustaining Cost (AISC) from A\$1029/oz to A\$1,296/oz over the year.

Group EBITDA A\$479.7m compared with pcp A\$443.3m. Dividends (fully franked) declared for FY19 A13.5 cps in accordance with NST policy of 6% of revenue.

At 30 June, NST had A\$361.4m in cash, bullion & investments. Total secured borrowings YE FY19 A\$48.4m.

Australian operations performed at the higher end of guidance with FY19 sales being 639,243 ozs.

The Pogo mine in Alaska was acquired in September 2018 for A\$350m and has involved a change of mining operations from “cut and fill” to “long hole stoping” including a change in specialized mining equipment. At this early stage, FY19 NST Pogo operations recorded an average AISC of A\$1,710/oz. NST are confident that following the mining operations transition period, the mine will be restored to historic performance with Pogo 2019/20 annual production guidance being 200,000 to 240,000 ozs with AISC USD850 – 925 per oz.

Included in NST FY19 Key Highlights is the 31% increase in Mineral Resources and 16% increase in Mineral Reserves.

Developments subsequent to FY19 year end;

On September 6 2019 an update in relation to Echo Resources Ltd’s Target Statement relating to NST takeover of offer for Echo. Details per the link; <https://www.asx.com.au/asxpdf/20190906/pdf/44891hxc0t.pdf>

On September 12 2019 it was announced NST and Horizon Minerals Ltd had agreed to a strategic Coolgarde & Kalgoorlie asset swap. Details per the link; <https://www.asx.com.au/asxpdf/20190912/pdf/448gf7wlq94jm5.pdf>

Summary

	2019	2018	2017	2016	2015
NPAT (\$m)	154.7	194.1	215.3	151.4	91.9
Share price (\$) – end of year	11.65	7.26	4.84	4.94	2.21
Dividend (cents)	13.5	9.5	12	7	5
TSR (%)	62%	55%	-7%	125%	72%
EPS (cents)	24.4	32.1	30.9	27.6	18.4
Exec Chairman: total remuneration, actual (\$m)	5.151	7.443	4.524 ⁺	1.394 ⁺	1.194 ⁺

+ This figure is based upon “fair” value as defined in the relevant NST annual report

For 2019, the Executive Chairman’s total actual remuneration was 58.23 times the Australian Full time Adult Average Weekly Total Earnings (\$88,453 based on May 2019 data from the Australian Bureau of Statistics).

ASA focus issues

Board composition/director skills:

NST have assessed the skills of its board on a comprehensive skills matrix which is included in its annual report. The annual report and NOM outline the skills and experience of each director and KMP’s. NST has an Executive Chairman on its board of seven directors (the CEO – Stuart Tonkin is not on the board). Whilst not independent, the executive chairman is a well-respected figure in the gold mining community, however he does have an acknowledged conflict of interest in Australian Underground Drilling Pty Ltd (AUD) which is a material supplier of drilling services to NST. Commercial dealings between NST & AUD are at “arm’s length”.

To its credit, NST has two (29%) female directors on the board.

Remuneration disclosure:

The NST FY19 remuneration report includes comprehensive details of the new remuneration structure being put to shareholders at the AGM. It is a significant improvement on the existing rem policy and if approved, it will apply from July 1 2019.

In brief, STI will be awarded 50% cash & 50% Performance Rights of which 50% will vest after one year and 50% after a further year. A claw back / malus condition applies. 70% is weighted on specified company performance & 30% on individual performance.

The LTI will now be allocated on face value VWAP methodology with specified ROIC and RTSR being the hurdles. If a negative TSR occurs after 3 years performance period the calculated Performance Rights will be reduced by 50%. 50% of shares resulting from vested LTI Performance Rights, which are exercised, are subject to a 1 year holding lock.

The company encourages all employees to be shareholders of NST and a policy applies to KMP whereby KMP excluding the Executive Chairman and CEO are required to hold 50% of fixed remuneration within 3 years and for the Executive Chairman and the CEO the minimum holding is 100% of fixed remuneration. Subject to term of office, directors & KMP comply with this requirement.

The FY19 Remuneration Report contains both Statutory and actual KMP remuneration outcomes.

NST executive KMP & other senior executives fixed & variable remuneration has not changed since 2016 and the most recent LTI grant was awarded in FY17. NST are to be commended for the improved alignment with ASA Policy Guidelines.

- a) **Shareholder participation:** NST is largely compliant to ASA policies in this area, however the last Capital Raising in September 2018 was for 26,119,402 shares to 73 Institutional Investors (at \$6.70 a share)) did not have an SPP

(or PAITREO); ASA recorded its disappointment at the FY18 AGM and the company responded by pointing out that that the transaction required expediency and all (including retail) shareholders benefited from the resulting investment at Pogo.

Item 2 Resolution 1	Adoption of Remuneration report
ASA Vote	For

Summary of ASA Position

During 2018/19 NST decided that a “Pogo” bonus (aggregate of A\$656,408) should be paid to KMP and staff directly involved in this acquisition. 7 KMP received an aggregate of \$530,000 and other employees involved received \$126,408. This is a payment for executing the first stage of the acquisition. The success of the acquisition and Pogo profitability has been incorporated into the FY20 production and cost guidance and will determine future incentive payments to this cohort.

The Remuneration Report included in the FY19 Annual Report includes FY19 remuneration outcomes plus comprehensive coverage of the FY20 remuneration decisions including FY20 remuneration framework – key changes from FY19. Considering our comments under Remuneration Disclosure and the detail in which the FY20 Share Plan being put to shareholders at the AGM, we have decided to support the transitional Remuneration Report included in the FY19 AR.

Item 3 Resolution 2	Approval of FY20 Share Plan
ASA Vote	For

Summary of ASA Position

As foreshadowed in 2018/19, NST have reviewed their remuneration policy for FY20, which we understand benefited from the advice of specialist consultants.

The new scheme has a number of improvements which brings NST’s remuneration structure into closer alignment with ASA Policy Guidelines. On this basis we support the resolution.

Item 4 Resolution 3	Approval of issue of 535,622 Performance Rights to Bill Beament under FY20 Share Plan for FY20
ASA Vote	For

Summary of ASA Position

The number of performance rights granted to Mr Beament appears large; however the company is in a better position than the ASA in assessing the competitiveness of the award. The basis of the hurdles appears reasonable and in line with shareholder interests.

Item 5 Resolution 4	Approval of Potential Termination Benefits
ASA Vote	Against

Summary of ASA Position

Background details are included in the NOM document. In brief the company currently intends to only use this approval in the situation where a manager, executive or KMP including the CEO and Executive chairman necessarily leaves the company for reasons of ill health or other medical /personal circumstances. The Corporations Act requires companies to secure shareholder approval in order to pay termination benefits exceeding one year's base salary. Listing Rules have limitations on termination payments of 5% of the equity interests of the entity (Total equity for 2019 is listed as \$1.1billion). We believe the company should more narrowly define the amounts and possible circumstances before we would be comfortable with supporting this resolution.

Item 6 Resolution 5	Approval of FY20 NED Share Plan
ASA Vote	For

Summary of ASA Position

NED take-up of shares in the company is excellent; such alignment with shareholders is to be encouraged.

Item 7 Resolution 6	Approval of issue of \$50,000 Share Rights to each of the Non-Executive Directors in each of FY20-FY23 (inclusive) under the FY20 NED Share Plan
ASA Vote	For

Summary of ASA Position

See item 6 above.

Item 8 Resolution 7	Election of Director – Mary Hackett
ASA Vote	For

Summary of ASA Position

Ms Hackett is a new NED (joined 1 July 2019) and an engineer with impressive qualifications and track record; she should provide expertise and further gender diversity to the Board thus bringing NST close to the ASX targets in an industry where well qualified female experts are scarce. She brings wide experience at a management level of engineering construction (including Health & Safety and Risk management) for major projects in the resources industry; this is an area which is of increasing importance to NST. Ms Hackett has not yet been assigned a role on a board committee.

Item 9 Resolution 8	Election of Director – Nick Cernotta
ASA Vote	For

Summary of ASA Position

Mr Cernotta is a new NED (joined 1 July 2019) and a mining engineer who is well qualified to support NST's ambitions to become a major gold miner with international resources. His experience and connection from his employment at Barrick Gold and Director of Operations at FMG are of particular relevance to NST. He brings wide experience at a management level of human resource and workplace relations (including Health & Safety and Risk management). This is an area which is of increasing importance to NST. Mr Cernotta now chairs the Remuneration Committee.

Item 10 Resolution 9	Re-election of Director – Bill Beament
ASA Vote	For

Summary of ASA Position

Bill has been the leading driver in the success of NST since 2007 and is an acknowledged figure in the Australian gold mining industry. One of his focusses is education of the next generation of mining engineers. Mr Beament's insight and highly disciplined business approach in conjunction with the executive management has been a major factor in NST's success. Mr Beament serves on the Nominations and ESG & Safety committees.

Item 11 Resolution 10	Re-election of Director – John Fitzgerald
ASA Vote	For

Summary of ASA Position

Mr Fitzgerald is an essential counterweight to Mr Beament. Together (and with other Directors) they make a good team. Mr Fitzgerald's strength is his analytical and prudent approach to the management, risk and finances of NST. He has played a significant role in the success of NST. Mr Fitzgerald is chairman of both the Audit & Risk and the Nomination Committee. He also serves on the remuneration, ESG & Safety committees. As lead independent NED his role is significant, as a well-grounded and prudent voice on the board.

The individual(s) (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

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