Australian Shareholders' Association
Australian Shareholders' Association Limited
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Timing is everything, almost - implementing KCGM strategy helps too

Company/ASX Code	**Northern Star Resources Limited/NST**
AGM time and date	2:00pm AWST on Thursday, 16 November 2023
Location	Perth Convention & Exhibition Centre
Registry	Link Market Services
Type of Meeting	Hybrid
Monitor	David F Brooke assisted by Leanne Harrison
Pre AGM Meeting	With Chair (Michael Chaney) & Secretary (Hilary Macdonald)

Monitor Shareholding: The individuals involved in the preparation of this voting intention have no shareholding in this company.

1. How we intend to vote

No.	**Resolution description**	Vote
1	Adoption of Remuneration Report	For
2	Refresh of approval of FY20 Share Plan	Against
3	Approval of issue of 298,279 FY24 LTI Performance Rights - Stuart Tonkin	Against
4	Approval of issue of 149,139 FY24 STI Performance Rights - Stuart Tonkin	Against
5	Re-election of Director – Michael Chaney	For
6	Re-election of Director – John Fitzgerald	For
7	Re-election of Director – Sally Langer	For
8	Adoption of new Constitution	For
9	Approval of proportional takeover provisions	For

2. Summary of Issues

- NST soon to become the largest gold miner on the ASX.
- FY21 LTI's (200% CEO & 100% - 75% other KMP of fixed salary) contained a 30% component for reserves replacement (15%) & 20% increase (15%). Within 4 months of the LTI formulation, NST took over the Kalgoorlie superpit (KCGM) and later merged with Saracen. This increased reserves by 11.61m ozs gold thus ensuring full vesting in FY23. However, since FY21 (despite exploration capex of $260m) reserves have fallen by 785kozs although some disposals (542kozs) account for this reduction, which is slightly short of depletion since the KCGM acquisition.
- KCGM legacy stockpiles have significantly (41% since January 2021) underwritten

production; these have not been replaced from mined sources.

- NST has committed to more than doubling KCGM milling capacity involving capex of A$1.5Bn over the next 4 years, with full ramp up by 2029; legacy stockpiles will make up about 40% of mill feedstock.
- The FY23 statutory profit includes the impact of the write back of the FY22 A$437m write off of the low grade ore (0.68g/tonne) KCGM stockpiles containing 2.3mozs. The write is due to the KCGM mill expansion giving a high degree of certainty on timing of the processing of the sub grade stockpiles.
- In Q1/FY24 KCGM recovered 190kozs at an all-in sustaining cost (AISC) of A$1,844/ozs but incurring an all in Cost (AIC) of A$3,112/ozs. KCGM is currently cash flow negative A$297/ozs due to high capex. Capex at KCGM will continue to impede AIC over the next four years.
- NST anticipate increasing KCGM gold annual production from 432kozs in FY23 to around 650kozs by FY26 due to access to new higher-grade zones. This will entail switching from legacy stockpiles to increased open pit mining thus increasing mining costs albeit offset by increased production due to roughly 50% improved head grade.
- NST issued a US$600m, 10 yr (6.125%) senior note to finance ongoing capex in April 2023 but spent A$127.1m during FY23 on a A$300m on market share buyback introduced in September 2022.

Accounts and reports

Financial performance

(As at FYE)	**2023**	**2022**	**2021**	**2020**	**2019**
NPAT ($m)	585.2	429.8	1032.5	258.3	154.7
UPAT ($m)	301.2	295.5	371.6	291.0	171.9
Share price ($)	12.08	6.84	9.78	13.36	11.65
Dividend (cents)	26.5+	21.5	19	17+10 special	13.5
Simple TSR (%)	80.8	-28.6%	-25%	16.4%	62%
EPS (cents)	50.3	13.6	-71.7	43.7	25
CEO total remuneration, actual ($m)	6.3	2.375	4.17	18.06	5.151

+ The final dividend of 15.5c paid on 12 October 2023 was unfranked

On 22 July 2021 the CEO (Stuart Tonkin) took over executive leadership of the company from the past Executive Chairman (Bill Beament). The latest Remuneration represents that the CEO earns 65.91 times the Australian Full time Adult Average Weekly Total Earnings (A$1,838 annualised based on May 2023 data from the Australian Bureau of Statistics).

Governance and culture

Key events

FY23 has been another year of consolidation with production and costs just scraping in at the lower end of guidance. NST confirm their 2mozs/yr aspirational production target for FY26 is in place due to renewed access to higher grade KCGM ore which was previously inaccessible due to a historic pit wall collapse.

Current FY24 guidance is for little change, however, the group Q1/FY24 all in sustaining cost (AISC) of A$1,939/ozs on production of 369kozs will now put pressure on the rest of FY24. The company remains confident of maintaining FY24 guidance of A$1,730-A$1,790/ozs on gold production of 1.6 -1.75mozs. with an uplift coming in 2H/FY24. FY23 production at KCGM was down due to low (~1.35g/t) head grade with significant (45%) use of stockpiled ore (with 51% in Q1/FY24 this does not appear to have abated). Low production at KGCM has been partially offset by improving recovery at Jundee, improving grade (and throughput) at Pogo and recently also an upgrade of Thunderbox.

NST approved (on 22 June 2023) capex of $1.5Bn over 4 years to increase KCGM processing capacity from 13Mt/yr to 27Mt/yr. NST claims that this will allow them to process on-site sub-grade (0.68 g/tonne) stockpiles (alongside mined ore) to increase KGCM production. NST expect KCGM to be producing 650 000 oz/yr in FY26 (due to higher head grades from previously inaccessible ore), increasing to around 900k oz/yr from 2029, following a two-year ramp-up period. To facilitate expected production previously written off stockpiles and newly mined ore will be processed (although stockpiles have been processed since FY21. Ongoing capex will now result in a significant ongoing margin between AISC and all in costs (AIC) over the next 4 years (particularly at KCGM). At KCGM the company claims payback in 4.6 years on full production and an IRR of 19% largely on the basis of legacy sub-grade stockpiles (0.68g/t) being sunk costs; they are however limited in size to the 2.735mozs claimed.

The claimed 9.4moz increase of reserves came from the takeover of KCGM and subsequent merger with Saracen. This resulted in the vesting of 75.4% FY21 LTI's in FY23 to current KMP as well as pro rata vesting (1/3 of original allocation) to former employees (Bill Beament - ex Executive Chairman and Raleigh Finlayson - ex Managing Director) of 77,882 (worth $940,815) and 21,633 (worth $261,327) LTI respectively. We note that 50% of vested FY21 performance rights are subject to a holding lock until 30 June 2024.

NST have now achieved economic viability at their troubled Pogo mine with stable FY23 production of 244Kozs/yr now that the plant upgrade is completed, and a new mining methodology fully implemented. In Australia the Thunderbox mine has also completed an upgrade to 6Mt/yr and is now ramping up production (and thus reduced AISC) after a significant shortfall in ore processing in FY23

Dividend has grown from 21.5c to 26.5c (20% - 30% of earnings) although we note that the dividend payment of 15.5c in October 2023 was unfranked and dividends are likely to remain unfranked for at least 18 months (current franking balance is only $3.9m).

The cash balance of A$1,133.3m at end of year (EoY) is largely due to a 10 year US$600m senior guaranteed note (@6.125% interest). In net terms the EoY cash balance was a A$375m reduction from the A$571m cash balance at EoY FY22.

Sustainability/ESG

The FY23 Sustainability Report highlights the high safety performance of 3.2 total recordable injury frequency rate, compared to similar Industries and is 20% of the Short Term Incentive Remuneration in both 2023 and 2024.

The Sustainability Report had limited assurance from Bureau Veritas Australian Pty Ltd on relevant data and requirements set out in Global Reporting Initiative standards. Other progress towards greater ESG accountability include – Completing a Climate Change related risk financial quantification model, following up of suppliers in completing Slavery Supplier Survey information and continuing to report against the numerous ESG requirements including SASB, TCFD, CDP and GRI standards.

NST continues towards a Net Zero Ambition by 2050, with the 2024 planned execution of the Renewable Power Purchase Agreement at Jundee for a renewable energy project utilizing solar, wind and battery storage designed to reduce Jundee's Scope 1 & 2 Emissions by 35% and 50% by 2030. We understand that NST are developing a plan to contain (or reduce) scope 2 emissions at KCGM as they more than double mill throughput by 2029.

Progress has been made with procurement opportunities for Aboriginal businesses, revisiting and modernising existing native title compensation agreements with the Traditional Owners in proximity to operations, as well as ongoing surveys and heritage protections.

NST has maintained its' higher than industry rate of female employment at 23.1% with an employee culture survey completed by 82%, enabling monitoring towards improving diversity.

The rate of residential employment at Pogo, Alaska and Kalgoorlie, Western Australia was maintained in 2022-2023 supporting the local communities. Across their operations 93% of employees are permanent, 5% on a fixed term and only 2% on casual contracts.

The Executive KMP were granted the full 5% of STI for YR23 on ESG and another 5% on the Employee culture survey results. There is no STI allocated for ESG in the 2024 KMP Remuneration; however the Long Term Incentives has a 20% ESG component to demonstrate tangible, sustainable Scope 1 and 2 carbon emissions.

ESG concerns identified in the Annual Report and the Sustainability Report 2023-

- The voluntary relocation of residents of Williamstown, due to the noise of blasting.
- The US$600,000 fine for the 2019 – 2021 notification breach of Environment regulations for technical requirements at Pogo, Alaska.

Overall, NST is making progress to meet ESG Community expectations, using numerous evolving international reporting matrixes, including assessing cyber security risks.

4. Rationale for Voting Intentions

Resolution 1 - Adoption of Remuneration Report - For

80% of FY23 LTI's are now based on relative Total Shareholder Return, equally divided between performance against chosen peers and the S&P/TSX Global Gold Index. The chosen peer group are said to be comprised of gold production companies of "similar size" and operating in "similar jurisdictions". Some apparent anomalies include giant companies such as Newmont and Barrick who appear in both groups and could be characterised as "slow growing".

ASA guidelines prefer 30% to vest at the 50th percentile with a straight line to 100% vesting at the 85th percentile than the current 50% vesting at 50th percentile with a straight line to 100% at 75th percentile.

The NST incentives also include "retention rights" (100% of FAR for the CEO, 150% for COO and 80% for other executives) which are partly (50%) conditional on remaining employed with the company for a 2-to-3-year period and achieving at least a 50% STI during that employment period. We can understand this as a temporary measure to address acute skilled staff shortages and applaud the hurdles beyond merely staying in the job.

With the FY24 LTI the company must be commended for moving to a 4-year performance term which is unusual in this industry but in line with ASA guidelines. For this reason, we have decided to vote for the remuneration report but may take a different stance in the future should retention bonuses become embedded.

Resolution 2 - Refresh of approval of FY20 Share Plan - Against

ASA guideline is that performance shares should be purchased on market by the company but if funds are unavailable then the company should use its rights under rule 7.1 to purchase those shares from within its 15% discretion. As such we do not support the granting additional authority under rule 7.2 without a shareholder vote.

Resolution 3 - Issue of 298,279 LTI Performance Rights to Stuart Tonkin (CEO) - Against

The resolution seeks to approve share rights which had a face value on 1 July 2023 of A$3.6m (last year A$12.08m), being Mr Tonkin's maximum opportunity for long-term incentive.

This is accompanied by STI share rights set out below plus retention rights. The awards are in accordance with the remuneration structure set out in the remuneration report and commented upon by us above.

Vesting of the LTI rights will be determined at the time of the release of the Company's full year results for FY27 (i.e. in August 2027). The LTI rights will only vest to the extent performance conditions have been satisfied as to 80% being RTSR vs two comparator indices, and 20% measured against scope 1 and 2 emission reduction achievement. The rights will vest based on NST's achievement of an adequate RTSR as specified for the two indices both of which are dominated by large gold miner who based upon history should provided little challenge to a nimble and innovative smaller gold miner.

We do not object to the principles by which these awards have been determined, but, as stated above we consider a more challenging target containing operational measures and success in capital investments is required

Resolution 4 - Issue of 149,139 STI Performance Right to Stuart Tonkin (CEO) - Against

These FY23 STI rights are now further enhanced by retention rights on the assumption that Mr Tonkin is employed by NST over the qualification period and obtains at least the 50% threshold in the STI.

These STI rights do contain financial measures (such as production and AISC) which make up 70% of the metric. Like with LTI we consider that the thresholds are insufficiently challenging (at 1,560kozs and 1,690/ozs AISC) and the caps also need to be elevated to 85%. With the large amounts on capex (and US$600m debt and potential use of the NST rotating bank facility) now being committed by NST we consider that the company is entering a high-risk period with elevated leverage and in our view Mr Tonkin should be similarly exposed to these inherent risks with higher threshold targets. The forward risk has substantially increased with the large investment now envisaged and we consider that Mr Tonkin should be better aligned to that objective. Unfortunately, the AISC trend since FY18 and recent poor attainment of group production and AISC targets (including the Q1/FY24 result) do not provide confidence.

Resolution 5 - Re-election of Director – Michael Chaney - For

Mr Chaney is an experienced and well-respected director appointed in July 2021. He is currently chairman of Wesfarmers and holds senior positions in several organisations. Mr Chaney's strong background in geology and business continue to add value and credibility to NST.

Mr Chaney chairs the Nomination Committee and is a member of the People & Culture Committee and Exploration and Growth Committee.

Resolution 6 - Re-election of Director – John Fitzgerald - For

Mr Fitzgerald has made a significant contribution to NST over the 11 years he has been on the Board. He is on the Audit and Risk Committee, the People and Culture Committee and the Nomination Committee. We have a lot of respect for his resource finance knowledge and respect for risk, but as ASA guidelines regards Board members serving longer than 12 years as no longer Independent, we regard this as his last term. As such we support his reappointment for the last time. We note the board is majority independent.

Resolution 7 - Re-election of Director – Sally Langer - For

Ms Langer was appointed in Feb 2021. She is a qualified Accountant with extensive experience in the resource and other sectors and is currently a Director of three other Resource companies – Sandfire Resources, MMA Offshore, and Saracen Minerals.

Ms Langer is on the Nomination Committee, the Audit and Risk Committee, the People and Culture Committee and the Nomination Committee.

Resolution 8 - Adoption of New Constitution - For

After twenty years, the 2003 Constitution is due for replacement. Both the Constitutions of 2003 and 2023 are complex legal documents endowing the Directors with considerable power and discretion. Of concern is the wording in the 2023 Schedule 1 (e) Regarding payment of dividends to the holder of Preference shares '*…whether earned or determined or not*'. However, the 2003 Constitution 2.1 wording is also extremely broad '*…the directors may issue shares or grant options in respect to shares to such persons, for such price, on such conditions and at such times as the directors think fit.*' We are pleased that the constitution will allow physical or hybrid shareholder meetings but not virtual-only meetings.

Resolution 9 - Approval of proportional Takeover Provisions - For

The ASA prefers full takeovers so that shareholders are not left with a controlling shareholder and we therefore support the resolution to prevent proportional takeovers.

The inclusion of Proportional Takeover Provisions ensures all shareholders have an opportunity to consider and vote either by postal vote or general meeting on whether a proportional takeover should be permitted to succeed. These provisions will operate for three years, unless renewed by a further resolution of shareholders. This proposal prohibits a predator only bidding for a proportion of a shareholders' interest.

The ASA votes to support the fairness of this to all shareholders.

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Appendix 1
Remuneration framework detail

CEO rem. Framework for FY/23	Max. Opportunity $m	% of Total
Fixed Remuneration	1.7	20%
STI – Cash*	0	0%
STI - Equity	1.7	20%
LTI	3.4	40%
Retention right (CRR)	1.7	20%
Total	8.5	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.
*The maximum cash available is 50% - the CEO can take the STI as either 50% cash/equity or 100% equity – he has selected 100% in performance rights this year.