

ASX Announcement
 11 February 2020

APPENDIX 4D: HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2019

Results for announcement to the market

Half-year ended 31 December 2019

Half-year ended 31 December 2018 (previous corresponding period)

			\$'000
Revenue from ordinary activities	Up	31%	826,979
Profit from ordinary activities after tax attributable to members	Up	54%	126,787
Net profit for the period attributable to members	Up	54%	126,787

Distributions

	Amount per security	Franked amount per security
Interim dividend (per share)	7.5 cents	7.5 cents

Record date of interim dividend 9 March 2020

Payment date of interim dividend 30 March 2020

Franking 100% franked

The financial effect of the current reporting period interim dividend has not been brought to account in the financial statements for the period ended 31 December 2019 and will be recognised in subsequent financial reports.

	31 December 2019	31 December 2018
Net tangible asset per security	\$2.60	\$1.61

Explanation of results

Requirement	Title	Reference
Review of results	Operating and Financial Overview	Page 3
A statement of comprehensive income	Condensed Consolidated Statement of Profit or Loss & Other Comprehensive Income	Page 10
A statement of financial position	Condensed Consolidated Statement of Financial Position	Page 11
A statement of retained earnings	Condensed Consolidated Statement of Changes in Equity	Page 12
A statement of cash flows	Condensed Consolidated Statement of Cash Flows	Page 14
Earnings per share	Condensed Consolidated Statement of Profit or Loss & Other Comprehensive Income	Page 10

Changes in controlled entities

On 6 December 2019, Northern Star Resources Ltd ("NST") completed the takeover of Echo Resources Limited. Refer to note 17 for further details.

The Group did not gain or lose control over any other entities during the period.

Associate and joint venture entities

Associate	Principal Activities	31 December 2019	31 December 2018
Superior Gold Inc.	Production & Development	18.92%	19.16%

Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

APPENDIX 4D: HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2019

Joint Ventures	Principal Activities	31 December 2019	31 December 2018
FMG JV	Exploration	66.62%	66.31%
Mt Clement JV	Exploration	20.00%	20.00%
East Kundana Production JV	Production & Development	51.00%	51.00%
Kanowna West JV	Exploration	89.94%	89.70%
Kalbara JV	Exploration	71.32%	69.38%
West Kundana JV	Exploration	75.50%	75.50%
Zebina JV	Exploration	80.00%	80.00%
Acra JV	Exploration	75.00%	20.00%
Roberston JV	Exploration	40.00%	40.00%
Cheroona JV	Exploration	30.00%	49.00%

The joint arrangements listed above are classified as joint operations and are not separate legal entities. They are contractual arrangements between participants for the sharing of costs and outputs and do not themselves generate revenue and profit. The joint operations are of the type where initially one party contributes tenements with the other party earning a specified percentage by funding exploration activities; thereafter the parties often share exploration and development costs and output in proportion to their ownership of joint venture assets. The joint operations are accounted for in accordance with the Group's accounting policy set out in the notes to the consolidated annual financial report as at 30 June 2019.

Audit

The report is based on financial statements which have been subject to a review by Deloitte.

HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2019

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (**Group**) consisting of Northern Star Resources Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

COMPANY OVERVIEW

CORPORATE DIRECTORY

Directors (during the financial period and up to the date of this report, unless otherwise noted):

Bill Beament	(Executive Chairman)
John Fitzgerald	(Lead Independent Director)
Peter O'Connor	(Non-Executive Director)
Shirley In't Veld	(Non-Executive Director)
Mary Hackett	(Non-Executive Director) appointed 1 July 2019
Nicholas Cernotta	(Non-Executive Director) appointed 1 July 2019
Christopher Rowe	(Non-Executive Director) resigned 14 November 2019

Chief Executive Officer

Stuart Tonkin

General Counsel & Company Secretary

Hilary Macdonald

Chief Financial Officer

Ryan Gurner

Chief Operating Officer

Luke Creagh

Registered Office & Principal Place of Business

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Share Registry

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Website: www.linkmarketservices.com.au

REVIEW OF OPERATIONS AND RESULTS

OVERVIEW OF THE GROUP'S PRINCIPAL ACTIVITIES

The Group's principal continuing activities during the period consisted of:

- exploration, development, mining and processing of gold deposits and sale of refined gold derived from the Jundee and Kalgoorlie operations in Western Australia and from the Pogo operations in Alaska; and
- exploration in relation to gold deposits in Western Australia, the Northern Territory and Alaska.

DIRECTORS' REPORT

MINE OPERATIONS REVIEW

All ore has been sourced from the Jundee, Kalgoorlie operations and Pogo gold mines. During the period, a total of 398,640 ounces of gold was sold at an average of A\$2,046 per ounce, with an all-in sustaining cost for the period of A\$1,454 per ounce sold.

	Measure	Jundee	Kalgoorlie Operations	Pogo	Total
Total Material Mined	tonnes	1,707,533	1,457,022	419,325	3,583,880
Total Material Milled	tonnes	1,159,164	1,537,394	422,113	3,118,671
Gold Grade	grams/tonne	4.9	3.6	6.5	4.5
Recovery	%	91%	90%	85%	90%
Gold Produced	ounces	164,916	160,216	75,614	400,746
Gold Sold	ounces	163,862	160,767	74,012	398,640
Revenue	A\$'000	334,779	338,532	153,668	826,979
Cost of Sales	A\$'000	179,977	266,295	168,793	615,065
Depreciation & Amortisation	A\$'000	58,700	65,933	30,472	155,105
Mine Operations EBITDA	A\$'000	213,502	138,169	12,869	364,540
All in Sustaining Cost	A\$/ounce sold	1,008	1,510	2,324	1,454

EXPLORATION REVIEW

Consolidation of the Group's Mineral Resources and Ore Reserves across the operations remains a strong focus for the Company, building on the significant mine life growth achieved to date. During the reporting period, the Group's in-mine drilling activity continued at high levels with a continuing focus on resource conversion and extension programs at all sites with a renewed underground exploration focus at Jundee.

Regional exploration maintained a high level of activity across all sites including, South Kalgoorlie, Carbine, Tanami and Pogo areas prior to tapered activity due to the onset of the northern "wet" season in Australia and the brief winter break for surface exploration at Pogo. Integration of the newly acquired Echo Resources exploration assets commenced later in the period.

DIRECTORS' REPORT

FINANCIAL OVERVIEW

A\$'000	Half Year Ended 31 Dec 2019	Half Year Ended 31 Dec 2018 ⁽¹⁾	\$'000 Change	% Change
Revenue	826,979	633,515	193,464	31%
EBITDA ⁽²⁾	322,264	222,018	100,246	45%
Net profit	126,787	82,090	44,697	54%
Underlying net profit ⁽³⁾	139,380	90,809	48,571	53%
Cash flow from operating activities	297,465	169,134	128,331	76%
Cash flow used in investing activities	(344,314)	(518,099)	173,785	(34%)
Sustaining capital	(72,427)	(60,822)	(11,605)	19%
Non-sustaining capital	(55,970)	(50,164)	(5,806)	12%
Exploration	(40,077)	(52,414)	12,337	(24%)
Payments for investments	(628)	(5,163)	4,535	(88%)
Acquisition of businesses/assets	(178,806)	(350,550)	171,744	(49%)
Other investing	3,594	1,014	2,580	254%
Free cash flow ⁽⁴⁾	(46,849)	(348,965)	302,116	(87%)
Underlying free cash flow ⁽⁵⁾	116,250	41,724	74,526	179%
Average gold price per ounce (A\$)	2,046	1,700	346	20%
Gold mined (ounces) ⁽⁶⁾	460,869	453,883	6,986	2%
Gold sold (ounces) ⁽⁶⁾	398,640	423,243	(24,603)	(6%)
All-in sustaining costs (AISC) per ounce sold (A\$) ⁽⁶⁾	1,454	1,295	159	12%
Cash and cash equivalents ⁽⁷⁾	1,365,331	229,825	1,135,506	494%
Basic Earnings Per Share (cents)	19.6	13.0	6.6	51%

(1) Unless otherwise stated below, the financial information for the period ended 31 December 2018 as presented in the Financial Overview Table are inclusive of the December 18 quarter results of Pogo operations only.

(2) EBITDA is earnings before interest, tax, depreciation, amortisation and impairment and is calculated as follows: 31 Dec 19 - Profit before income tax (\$148.0M) plus depreciation (\$54.9M), amortisation (\$102.2M), impairment (\$11.2M) and finance costs (\$7.7M) less interest income (\$1.8M). 31 Dec 2018 - Profit before Income (\$113.6M) plus depreciation (\$33.6M), amortisation (\$70.3M), impairment (\$2.0M) and finance costs (\$5.4M) less interest income (\$2.9M).

(3) Underlying net profit is calculated as follows: 31 Dec 19 - Net profit (\$126.8M) plus acquisition and integration costs (\$6.8M), plus impairment (\$11.2M), less tax effect (\$5.4M). 31 Dec 2018 - Net profit (\$82.1M) plus acquisition and integration costs (\$10.5M), plus impairment (\$2.0M), less tax effect (\$3.7M).

(4) Free Cash Flow is calculated as operating cash flow minus investing cash flow. 31 Dec 2019 - operating cash flow (\$297.5M) less investing cash flow (\$344.3M). 31 Dec 2018 - operating cash flow (\$169.1M) less investing cash flow (\$518.1M).

(5) Underlying Free Cash Flow is calculated as follows: 31 Dec 2019 - free cash flow (-\$46.8), plus Investment in Echo (\$176.8M), plus payment for financial assets at fair value through OCI (\$0.6M), plus loan to Venturex Resources Ltd (\$2.0M), plus M&A expenses (\$2.8M), plus working capital adjustments (\$2.4M), less bullion awaiting settlement (\$20.4M), less finance lease receivable (\$1.1M). 31 Dec 18 - free cash flow (-\$349.5 million), plus net payment to acquire business (\$350.5 million), plus prior period stamp duty (\$1.2 million), plus payment for financial assets at fair value through OCI (\$5.2 million), payment to Tanami Gold NL for exercise of put option 1 (\$20.0 million), plus FY18 tax (\$2.7 million), plus loan to Venturex Resources Ltd (\$1.0 million), plus bullion awaiting settlement (\$5.0 million), plus working capital adjustment (\$5.1 million).

(6) Gold mined, gold sold, AISC/oz presented for 31 December 2018 are inclusive of September 18 quarter and December 18 quarter results of Pogo operations.

(7) As at 31 December 2019 Cash and cash equivalents includes US\$800 million (A\$1,142 million) for KCGM acquisition, which completed 3 January 2020.

EBITDA, underlying net profit, underlying free cash flow and all-in sustaining costs (AISC) are unaudited non IFRS measures.

DIRECTORS' REPORT

Profit

The Group recorded a 54 percent increase in net profit for the six months to 31 December 2019 compared to the prior half year ended 31 December 2018. Revenue increased 31 percent compared to 31 December 2018 half year due to a 20 percent higher average realised gold price per ounce (H1 2020: A\$2,046; H1 2019: A\$1,700) and 10 percent increase in gold sold, with Pogo now contributing a full six months of operations (three months in the prior period). Cost of sales were up 28 percent from the prior comparative half year due to higher costs experienced at Kalgoorlie operations, a full six months of Pogo operations (pcp 3 months) and royalty payments due to higher gold prices and greater ounces sold during the period ended 31 December 2019. Depreciation and amortisation charges were higher due to a full six months of Pogo operations reported during the period and an increase at Jundee operations. Impairment of exploration focused assets increased by \$9.2 million (H1 2020: \$11.2 million; H1 2019: \$2.0 million), following the half yearly impairment reviews on Group wide exploration programs. Corporate and technical services costs, which includes costs associated with the Company's exploration focused projects (Tanami and Paulsens) increased by 23% (H1 2020: \$43.6 million; H1 2019: \$35.5 million), consistent with the Groups increased operational and corporate activity during the six months ended 31 December 2019.

Balance Sheet

Total assets have increased by \$1.4 billion to \$3.1 billion primarily due to the proceeds received to fund the US\$800 million acquisition of 50 percent of KCGM which completed 3 January 2020. In addition, the Company completed the takeover of Echo Resources Limited during the half year ended 31 December 2019 which contributed an additional \$246 million in assets, primarily Exploration and evaluation. Refer to note 17 for further details. Cash and cash equivalents at December 2019 were \$1.4 billion up from \$0.2 billion at 31 December 2018.

Total liabilities increased by \$607.0 million to \$1.1 billion primarily from the \$500 million drawn down on the Group's banking facilities to part fund the US\$800 million acquisition of 50 percent of KCGM which completed 3 January 2020. Additionally, with the change in accounting for leases from 1 July 2019, the Company has recognised at 31 December 2019, \$56 million of lease liabilities. Refer to note 3 for detail. Total borrowings from leases is \$108.4 million at 31 December 2019 (HY'18 \$48.4 million).

Cash Flow

Operating cash flows for the period ended 31 December 2019 increased by \$128.3 million to \$297.5 million (\$169.1 million: 31 December 2018) due to 10 percent higher gold sales recorded, as Pogo operations recorded a full six months of operations (H1'19: 398,640 ounces; H1'18 363,676 ounces) and 20 percent higher realised average gold price per ounce for the period (H1 2020: A\$2,046; H1 2019: A\$1,700). In respect of investing cash flows, after adjusting for acquisition costs associated with the Echo takeover in the current period (\$178.8 million) and the Pogo gold mine in the prior period (\$350.5 million), cash outflows from investing activities were broadly consistent.

Cash inflows from financing activities were \$1.2 billion for the six-month period ended 31 December 2019 (31 December 2018: \$135.1 million). This increase was due to the net proceeds received from a capital raising (\$751.0 million) and debt drawn down from corporate facilities (\$493.6 million) in anticipation of the completion of the 50 percent acquisition of KCGM. Completion occurred on 3 January 2020. Refer to note 20.

Dividends Paid

Dividends paid to members during the financial period were as follows:

	2019 \$'000	2018 \$'000
Final dividend for the year ended 30 June 2019 of 7.5 cents (2018: 5 cents) per fully paid share paid on 20 November 2019 (2018: 28 September 2018)	48,670	31,973

DIRECTORS' REPORT

Dividends Recommended But Not Yet Paid

In addition to the above dividends, since the end of the financial period the Directors have recommended the payment of an interim ordinary dividend of \$55.5 million (7.5 cents per fully paid share) to be paid on 30 March 2020 out of retained earnings at 31 December 2019.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial period were as follows:

- On 14 October 2019, Northern Star acquired control of Echo Resources Limited through a combination of its pre-existing stake, acceptances of the Northern Star Offer and on-market acquisitions. The takeover was completed on 6 December 2019. The total consideration for the transaction was \$219.8 million. Refer to note 17 for further details

There were no other significant changes in the state of affairs of the Group that occurred during the period under review.

Matters subsequent to the end of the financial year

Subsequent to the period ended 31 December 2019 the Company announced:

- an interim fully franked dividend of 7.5 cents per share to Shareholders on the record date of 9 March 2020, payable on 30 March 2020.
- On 3 January 2020, the Company completed the acquisition of all the shares in Kalgoorlie Lake View Pty Ltd, which holds a 50% interest in Kalgoorlie Consolidated Gold Mines Pty Ltd (KCGM), which in turn owns the Kalgoorlie Super Pit gold mine. Northern Star acquired the interest in KCGM from Newmont Goldcorp Corporation for total consideration of US\$800 million.
- On 24 January 2020, the Share Purchase Plan (SPP) announced on 17 December 2019, targeting a raising of \$50 million, closed over-subscribed. As a result, applications were not met in full. Allocations were made on a pro rata basis for all valid SPP applicants as at the SPP record date of 16 December 2019, with reference to shareholdings held on that date, in order to reduce the 14% dilutionary effect of the placement for those shareholders. This process ensured that all valid SPP applicants were treated equitably. Institutional shareholders who participated in the placement and related parties who will participate in the related party placement approved in general meeting on 22 January 2020, were excluded from the SPP allocation. All allotments and refunds were completed by 5 February 2020.
- On 22 January 2020, the Shareholders in general meeting approved an allotment of up to 555,555 shares at \$9 each to related parties of the Company, being the same issue price as the institutional placement referred to in Note 20. The allotment of 555,555 shares, raising \$5 million, will occur before 22 February 2020.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect, the Group's operations, results or state of affairs, or may do so in future years.

Environmental Regulation

The Group holds licences and abides by Acts and Regulations issued by the relevant mining and environmental protection authorities. The Group has a policy of at least complying with, but in most cases exceeding, its statutory environmental performance obligations. These licences, Acts and Regulations specify limits and regulate the management of various environmental management issues, including discharges to the air, surface water and groundwater associated with the Group's mining operations as well as the storage and use of hazardous materials.

All environmental performance obligations are monitored by the Board via regular Board meetings, and via the Environment Social and Safety Board Sub-Committee. Government agencies regularly conduct audits and site inspections across operational areas of our business. No significant environmental breaches have occurred, nor have we been notified by any Government agencies of any infringement during the period ended 31 December 2019.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

DIRECTORS' REPORT

Rounding of Amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of Directors under section 306(3) of the Corporations Act 2001 dated 11 February 2020 and authorised for release by the Board of Directors.



BILL BEAMENT
Executive Chairman
Perth, Western Australia

11 February 2020

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

The Board of Directors
Northern Star Resources Limited
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11 February 2020

Dear Directors

Auditor's Independence Declaration to Northern Star Resources Limited and its controlled entities

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Northern Star Resources Limited.

As lead audit partner for the review of the financial statements of Northern Star Resources Limited for the financial half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Dave Andrews
Partner
Chartered Accountants

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FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Period Ended 31 December 2019

	Notes	31 December 2019 \$'000	31 December 2018 \$'000
Revenue	5	826,979	633,515
Cost of sales	7(a)	(615,065)	(482,139)
		<u>211,914</u>	<u>151,376</u>
Other income and expense	6	(1,382)	4,862
Corporate, technical services and projects	7(b)	(43,581)	(35,192)
Impairment of assets	7(c)	(11,231)	(1,974)
Finance costs	7(d)	(7,722)	(5,430)
Profit before income tax		<u>147,998</u>	<u>113,642</u>
Income tax expense	19	(21,211)	(31,552)
Profit for the period		<u>126,787</u>	<u>82,090</u>

Other comprehensive income (OCI)

Items that may be reclassified to profit or loss

Share of OCI of associates and joint ventures accounted for using the equity method		65	188
Exchange differences on translation of foreign operations		661	8,329

Items that will not be reclassified to profit or loss

Changes in the fair value of financial assets at fair value through OCI		(6,906)	(16,693)
Income tax relating to these items		(431)	5,008
Deferred gains and losses on cash flow hedges		(22,300)	-

Other comprehensive income for the period, net of tax

		<u>(28,911)</u>	<u>(3,168)</u>
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Total comprehensive income for the period

		<u>97,876</u>	<u>78,922</u>
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Total comprehensive income for the period is attributable to:

Owners of Northern Star Resources Ltd		<u>97,876</u>	<u>78,922</u>
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	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic earnings per share	19.6	13.0
Diluted earnings per share	19.5	12.8

FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2019 \$'000	30 June 2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		1,365,331	266,179
Trade and other receivables	8	69,419	67,731
Inventories	9	122,125	113,631
Current tax asset		20,645	6,285
Total current assets		1,577,520	453,826
Non-current assets			
Trade and other receivables	8	5,689	1,438
Derivative financial instruments		588	1,333
Financial assets at fair value through other comprehensive income		16,748	23,027
Investments accounted for using the equity method		10,547	27,861
Property, plant and equipment		574,069	501,084
Exploration and evaluation assets	10	473,966	266,038
Mine properties	11	382,998	356,361
Intangible assets		11,151	12,867
Total non-current assets		1,475,756	1,190,009
Total assets		3,053,276	1,643,835
LIABILITIES			
Current liabilities			
Trade and other payables		163,703	149,710
Borrowings	12	83,221	23,899
Provisions	13	56,276	44,872
Total current liabilities		303,200	218,481
Non-current liabilities			
Borrowings	12	520,405	24,505
Provisions	13	244,668	220,345
Deferred tax liabilities		67,615	65,569
Total non-current liabilities		832,688	310,419
Total liabilities		1,135,888	528,900
Net assets		1,917,388	1,114,935
EQUITY			
Share capital	14	1,262,996	473,708
Reserves		(20,533)	42,099
Retained earnings		674,925	599,128
Total Equity		1,917,388	1,114,935

FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Notes	Share capital \$'000	Financial assets at fair value through OCI \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2018	291,290	5,417	10,144	(173)	-	514,758	821,436
Profit for the period	-	-	-	-	-	82,090	82,090
Other comprehensive income	-	(11,685)	-	8,517	-	-	(3,168)
Total comprehensive income for the period	-	(11,685)	-	8,517	-	82,090	78,922
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	14 171,009	-	-	-	-	-	171,009
Dividends provided for or paid	15 -	-	-	-	-	(31,973)	(31,973)
Employee share and option plans - value of employee services	13 -	-	2,335	-	-	-	2,348
Exercise of employee share awards	5,404	-	(5,294)	-	-	-	109
Share plan loan repayment	-	-	3,346	-	-	-	3,346
	176,426	-	387	-	-	(31,973)	144,839
Balance at 31 December 2018	467,716	(6,268)	10,531	8,344	-	564,875	1,045,197
Balance at 1 July 2018	473,708	(6,601)	38,549	10,151	-	599,128	1,114,935
Adjustment on adoption of AASB 16 (net of tax)	-	-	-	-	-	(2,320)	(2,320)
Restated total equity at the beginning of the financial period	473,708	(6,601)	38,549	10,151	-	596,808	1,112,615
Profit for the year	-	-	-	-	-	126,787	126,787
Other comprehensive income	-	(7,337)	-	726	(22,300)	-	(28,911)
Total comprehensive income for the period	-	(7,337)	-	726	(22,300)	126,787	97,876

FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Notes	Share capital \$'000	Financial assets at fair value through OCI \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total equity \$'000
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	14	748,445	-	-	-	-	748,445
Dividends provided for or paid	15	-	-	-	-	(48,670)	(48,670)
Employee share and option plans - value of employee services		-	2,596	-	-	-	2,596
Exercise of employee share awards		12,251	(12,251)	-	-	-	-
Share plan loan repayment		-	82	-	-	-	82
Tax		28,592	(24,148)	-	-	-	4,444
		789,288	(33,721)	-	-	(48,670)	706,897
Balance at 31 December 2019		1,262,996	(13,938)	4,828	10,877	(22,300)	674,925
							1,917,388

Nature and purposes of reserves:

Financial assets at FVOCI

The Group has elected to recognise changes in fair value of certain investments in equity securities in OCI. These changes are accumulated within the FVOCI reserve within equity.

Share based payments

The share-based payments reserve relates to shares, performance shares, performance rights and share options granted by the Company to its employees.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entities are recognised OCI and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Cash flow hedge

The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently either transferred to the initial cost of the asset/liability or reclassified to profit or loss as appropriate.

FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2019

	Notes	31 December 2019 \$'000	31 December 2018 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		835,565	626,449
Payments to suppliers and employees (inclusive of GST)		(507,853)	(410,497)
Interest received		1,764	3,520
Interest paid		(2,350)	(630)
Income taxes paid		(29,661)	(49,708)
Net cash inflow from operating activities		297,465	169,134
Cash flows from investing activities			
Payments for acquisition of assets, net of cash acquired	17	(178,806)	-
Payments for acquisition of business, net of cash acquired	18	-	(350,550)
Payments for property, plant and equipment		(32,421)	(34,596)
Payments for exploration and evaluation		(40,077)	(52,414)
Payments for mine properties		(95,976)	(76,390)
Payments for investments		(628)	(5,163)
Proceeds from sale of property, plant and equipment		2,477	1,014
Other		1,117	-
Net cash outflow from investing activities		(344,314)	(518,099)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		751,005	174,355
Proceeds from borrowings		493,600	-
Repayment of borrowings		-	(1,000)
Principal elements of lease (2018: finance lease) payments		(28,759)	(6,808)
Dividends paid to Company's shareholders	15	(48,670)	(31,973)
Net cash inflow from financing activities		1,167,176	134,574
Net increase/(decrease) in cash and cash equivalents		1,120,327	(214,391)
Cash and cash equivalents at the beginning of the financial period		266,179	442,997
Effects of exchange rate changes on cash and cash equivalents		(21,175)	1,219
Cash and cash equivalents at end of period		1,365,331	229,825

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NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The financial report of Northern Star Resources Ltd (referred to as 'Northern Star or the 'Company') for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 10 February 2020. Northern Star is a for-profit Company limited by shares, incorporated and domiciled in Australia where shares are publicly traded. Details of the Group's principal activities are included in note 4.

2. Basis of Preparation of Half-Year Report

These condensed consolidated interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financing Reporting Standard IAS 34 Interim Financial Reporting.

These condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Northern Star during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except those listed in note 2(a) below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- AASB 16 Leases;
- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business

The impact of the adoption of these standards is included below.

3. Changes in Accounting Policies

(a) AASB 16 Leases – Impact of adoption

The Group has adopted AASB 16 from 1 July 2019 using the modified retrospective method of adoption. The Group has not restated comparatives for the reporting period as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4 percent.

NOTES TO THE FINANCIAL STATEMENTS

The impact on the statement of financial position as at 1 July 2019 on adoption of AASB 16 are noted below:

	As At 1 July 2019
Assets	\$000's
Right-of-use assets – buildings	895
Right-of-use assets - plant and equipment	101,293
Total right-of-use assets	102,188
Liabilities	
Lease liability - current	47,575
Lease liability - non-current	56,933
Total lease liability	104,508

The net impact on retained earnings on 1 July 2019 was a decrease of \$2.32 million.

AASB 16 Leases – Summary of new accounting policies

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The lease liability is presented as a separate line in note 12.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy (as outlined in the financial report for the annual reporting period).

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business

This Standard has been early adopted by the Group on 1 July 2019. This Standard amends AASB 3 Business Combinations' definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contributes to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present.

The revisions to AASB 3 Business Combinations also introduced an optional concentration test. If the concentration test is met, the set of activities and assets acquired is determined not to be a business combination and asset acquisition accounting is applied. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

This standard has been applied by the Group in the current period. Refer to note 17 for further details.

4. Segment Information

(a) Description of segments and principal activities

The Group's Executive Committee consisting of the Executive Chairman, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Geological Officer examine the Group's performance and have identified four operating segments relating to the operations of the business:

- 1) Kalgoorlie Operations, WA Australia - Mining and processing of gold
- 2) Jundee, WA Australia - Mining and processing of gold
- 3) Pogo, Alaska USA - Mining and processing of gold
- 4) Exploration - Exploration and evaluation of gold mineralisation

An operating segment is a component of the Group that engages in business activities from which it may earn revenues or incur expenses.

NOTES TO THE FINANCIAL STATEMENTS

Exploration comprises all projects in the exploration, evaluation and feasibility phase of the Group. These include exploration projects at Paulsens, Tanami, the recently settled Bronzewing project, as well as ongoing exploration programmes at the Group's respective sites.

Following a review by the Executive Committee, Paulsens, Tanami and Bronzewing have been included in the Exploration segment for the period ended 31 December 2019.

An analysis of segment revenues is presented in note 5.

(b) Segment results

The segment information for the half-year ended 31 December 2019 is as follows:

31 December 2019	Kalgoorlie Operations \$'000	Pogo \$'000	Jundee \$'000	Exploration \$'000	Total \$'000
Segment net operating profit (loss) before income tax	70,886	(18,912)	153,595	(15,215)	190,354
Depreciation and amortisation	65,933	30,472	58,700	63	155,168
Impairment	-	-	-	11,231	11,231
Finance costs	1,350	1,309	1,207	124	3,990
Segment EBITDA	138,169	12,869	213,502	(3,797)	360,743

31 December 2018	Kalgoorlie Operations \$'000	Pogo \$'000	Jundee \$'000	Exploration \$'000	Total \$'000
Segment net operating profit (loss) before income tax	48,469	(7,132)	104,233	(5,014)	140,556
Depreciation and amortisation	66,508	17,246	19,246	54	103,054
Impairment	-	-	-	1,974	1,974
Finance costs	939	932	455	-	2,326
Segment EBITDA	115,916	11,046	123,934	(2,986)	247,910

31 December 2019	Kalgoorlie Operations \$'000	Pogo \$'000	Jundee \$'000	Exploration \$'000	Total \$'000
Total segment assets	379,726	522,610	206,435	496,774	1,605,545
Total segment liabilities	(202,063)	(141,932)	(142,777)	(45,849)	(532,621)

30 June 2019	Kalgoorlie Operations \$'000	Pogo \$'000	Jundee \$'000	Exploration \$'000	Total \$'000
Total segment assets	349,540	521,819	157,927	267,046	1,296,332
Total segment liabilities	(191,643)	(136,732)	(92,905)	(22,475)	(443,755)

(c) Segment EBITDA

Segment EBITDA is a non-IFRS measure, being earnings before interest, tax, depreciation and amortisation and is calculated as follows: profit before income tax plus depreciation, amortisation, impairment and finance costs.

NOTES TO THE FINANCIAL STATEMENTS

Interest income, finance charges, interest expense and acquisition costs are not allocated to the operating segments as this type of activity is driven by the central treasury function which manages the cash position of the Group.

Segment EBITDA reconciles to profit before income tax from continuing operations for the half-year ended 31 December 2019 as follows:

	31 December 2019 \$'000	31 December 2018 \$'000
Segment EBITDA	360,743	247,910
Other income and expense	(1,382)	4,862
Finance costs	(7,722)	(5,430)
Depreciation	(54,923)	(33,597)
Amortisation	(102,154)	(70,294)
Corporate and technical services	(32,737)	(25,487)
Share based payments	(2,596)	(2,348)
Impairment of assets	(11,231)	(1,974)
Profit before income tax	147,998	113,642

(d) Segment assets

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Operating segments' assets are reconciled to total assets as follows:

	31 December 2019 \$'000	30 June 2019 \$'000
Segment assets	1,605,545	1,296,332
Unallocated:		
Financial assets at fair value through OCI	16,748	23,027
Investment in equity accounted associates	10,547	27,861
Cash and cash equivalents	1,349,733	227,252
Derivative financial instruments	588	1,333
Trade and other receivables	41,397	53,945
Current tax asset	20,645	6,285
Property, plant and equipment	8,073	7,800
Total assets as per the condensed consolidated statement of financial position	3,053,276	1,643,835

Investment in equity securities (classified as financial assets at fair value through OCI) held by the Group are not considered to be segment assets as they are managed by the treasury function.

NOTES TO THE FINANCIAL STATEMENTS

(e) Segment liabilities

Operating segments' liabilities are reconciled to total liabilities as follows:

	31 December 2019 \$'000	30 June 2019 \$'000
Segment liabilities	(532,621)	(443,755)
Unallocated:		
Trade and other payables	(16,626)	(5,751)
Borrowings	(495,643)	-
Provisions	(23,383)	(13,825)
Deferred tax (net)	(67,615)	(65,569)
Total liabilities as per the condensed consolidated statement of financial position	(1,135,888)	(528,900)

5. Revenue

	31 December 2019 \$'000	31 December 2018 \$'000
Sale of gold	815,657	621,491
Sale of silver	1,333	1,114
Toll treatment	9,989	10,910
Total revenue	826,979	633,515

The total of revenue, broken down by operating segment, is shown in the following table. All revenue is from external customers. No revenue is generated by the Exploration operating segment.

	Kalgoorlie operations \$'000	Jundee \$'000	Pogo \$'000	Total \$'000
2019	338,532	334,779	153,668	826,979
2018	291,247	243,484	98,784	633,515

6. Other income and expense items

	31 December 2019 \$'000	31 December 2018 \$'000
Profit/(loss) on disposal of property, plant and equipment	(1,536)	61
Interest income	1,764	2,919
Other	(1,610)	1,882
	(1,382)	4,862

NOTES TO THE FINANCIAL STATEMENTS

7. Expenses

(a) Cost of sales

	31 December 2019 \$'000	31 December 2018 \$'000
Mining	177,596	166,871
Processing	105,359	79,078
Site services	20,951	20,987
Employee benefit expenses	147,278	95,049
Depreciation	53,590	33,345
Amortisation	101,515	69,655
Government royalty expense	17,442	11,529
Changes in inventory	(8,666)	5,625
	<u>615,065</u>	<u>482,139</u>

(b) Corporate, technical services and project services

	31 December 2019 \$'000	31 December 2018 \$'000
Employee benefits	11,821	8,561
Administration and technical services	20,433	12,911
Share based payments	2,596	2,348
Depreciation	1,333	252
Amortisation	639	639
Acquisition and integration costs	6,759	10,481
	<u>43,581</u>	<u>35,192</u>

(b) Corporate and technical services

Administration and technical services expense includes \$5.3 million paid to WA Office of State Revenue on vesting of FY17 performance rights which occurred during the half year ended 31 December 2019. Payroll tax was required to be paid on the value of rights vesting and consequently the amount of taxes paid reflects share price growth, excluding dividends paid, over the performance period (\$3.96 to \$11.51 per share).

(c) Impairment

	31 December 2019 \$'000	31 December 2018 \$'000
Exploration and evaluation	<u>11,231</u>	<u>1,974</u>

(d) Finance costs

	31 December 2019 \$'000	31 December 2018 \$'000
Interest expense	2,351	631
Provisions: unwinding of discount	1,693	2,325
Finance charges	3,678	2,474
	<u>7,722</u>	<u>5,430</u>

NOTES TO THE FINANCIAL STATEMENTS

8. Trade and other receivables

	31 December 2019			30 June 2019		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Trade receivables	30,718	-	30,718	47,318	-	47,318
Sundry debtors	9,534	-	9,534	6,008	-	6,008
Finance lease receivables	3,118	4,376	7,494	-	-	-
Goods and services tax recoverable	6,132	-	6,132	4,735	-	4,735
Prepayments	18,450	1,313	19,763	8,439	1,438	9,877
Other receivables	1,467	-	1,467	1,231	-	1,231
	69,419	5,689	75,108	67,731	1,438	69,169

9. Inventories

	31 December 2019 \$'000	30 June 2019 \$'000
Current assets		
Consumable stores	42,062	39,613
Ore stockpiles	47,007	42,526
Gold in circuit	33,056	31,492
	122,125	113,631

10. Exploration and evaluation assets

	31 December 2019 \$'000	30 June 2019 \$'000
Opening balance 1 July	266,038	225,735
Expenditure for the period	39,255	67,904
Acquired as part of asset acquisition (i)	208,586	1,726
Reclassification from other assets	1,770	-
Transfer to mine properties	(30,191)	(19,591)
Impairment (ii)	(11,231)	(9,929)
Exchange Differences	(261)	193
	473,966	266,038

(i) Acquisitions

During the period, the Company completed the takeover of Echo Resources Limited (ASX: EAR) via a combination of existing ownership interests, on-market acquisition and off-market acquisition. For details of the acquisition, refer to note 17 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(ii) Impairment

At each reporting date, the Group undertakes an assessment of the carrying amount of its exploration and evaluation assets. During the period, the Group identified indicators of impairment on certain exploration and evaluation assets under AASB 6 Exploration and Evaluation of Mineral Resources. As a result of this review, an impairment charge of \$11.2 million (30 June 19: \$9.9 million) has been recognised in the statement of profit or loss and other comprehensive income in relation to areas of interest where no future exploration and evaluation activities are expected.

11. Mine properties

	31 December 2019 \$'000	30 June 2019 \$'000
Opening balance at 1 July	356,361	212,788
Expenditure for the period	96,339	144,604
Transfer from exploration and evaluation	30,191	19,591
Acquired as part of business combination (i)	-	140,531
Amortisation	(99,800)	(165,340)
Exchange differences	(93)	4,187
	382,998	356,361

(i) Business Combination

During the prior period, the Company completed the acquisition of the Pogo underground mine in Alaska. The acquisition was carried out through the Company's wholly owned US subsidiary Northern Star (Alaska) LLC. This entity acquired all of the shares of Sumitomo Metal Mining Pogo LLC and SC Pogo LLC. For details of the acquisition, refer to the financial report for the year ended 30 June 2019.

12. Borrowings

	31 December 2019			30 June 2019		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Bank loans	25,000	470,200	495,200	-	-	-
Lease liabilities	58,221	50,205	108,426	23,899	24,505	48,404
Total secured borrowings	83,221	520,405	603,626	23,899	24,505	48,404

During the period, the Company announced a binding sale agreement with Newmont Goldcorp Australia, a subsidiary of Newmont Goldcorp Corporation, to acquire all the shares in Kalgoorlie Lake View Pty Ltd (KLV), which holds a 50 percent interest in Kalgoorlie Consolidated Gold Mines Pty Ltd (KCGM) and in the operations and assets managed by KCGM, for US\$775 million and associated assets for US\$25 million.

Completion of the transaction occurred on 3 January 2020, subsequent to period end. The Group executed revised banking facilities and drew on these facilities in order to fund part of the consideration for KLV. The revised banking facilities provided the Company with access to a \$400 million amortising term loan (4-year term) and \$300 million revolving credit facility (3-year term). Prior to the execution of the revised banking arrangements the Company drew \$75 million on its revolving credit facility as part managing working capital post the acquisition of Echo Resources Limited (note 17). The Company subsequently drew the full \$400 million on its term loan and a further \$25 million on its revolving credit facility. As at 31 December 2019, the Company had drawn down a total of \$500 million from its banking facilities, excluding amounts under equipment finance.

At the end of the reporting period, the Group had \$200 million (June 2019: \$200 million) undrawn on its revolving credit facility.

NOTES TO THE FINANCIAL STATEMENTS

During the period, the Company expensed, in finance costs, \$1.3 million of unamortised transaction costs associated with the previous banking facility. Total upfront transaction costs of \$6.4 million were incurred in relation to the new facility used to part fund KCGM. \$4.8 million of upfront transaction costs have been recognised within borrowings initially recognised at amortised cost. The remaining \$1.6 million in upfront transaction costs associated with the undrawn portion of the revolving credit facility have been recognised in prepayments.

13. Provisions

	31 December 2019			30 June 2019		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Employee entitlements	38,982	1,107	40,089	39,069	794	39,863
Rehabilitation	-	243,561	243,561	-	219,551	219,551
Other	17,294	-	17,294	5,803	-	5,803
	56,276	244,668	300,944	44,872	220,345	265,217

14. Contributed equity

	31 December 2019 Shares	30 June 2019 Shares	31 December 2019 \$'000	30 June 2019 \$'000
Ordinary shares Fully paid	733,937,834	639,592,634	1,262,996	473,708

(i) Movements in ordinary shares:

Details	Number of shares	Total \$'000
Opening balance 1 July 2018	612,823,852	291,290
Employee Share Plan issues	140,444	1,306
Equity issue net of transaction costs	26,119,402	171,009
Performance Share Plan issues	-	9,454
Exercise of options	508,936	649
Balance 30 June 2019	639,592,634	473,708
Employee Share Plan issues (i)	9,345,200	12,251
Equity issue net of transaction costs (ii)	85,000,000	748,445
Tax (i)	-	28,592
Balance 31 December 2019	733,937,834	1,262,996

i. During the period 9,345,200 FY17 Performance Rights awarded to Key Management Personnel and other senior employees in December 2016 vested after a three-year performance period. As a result, 9,345,200 fully paid ordinary shares were issued as part of employees exercising their FY17 Performance Rights. The deferred tax benefit that had previously been credited to the share-based payment reserve (\$28.6 million) was also transferred to share capital on vesting.

ii. On 18 December 2019, the Company issued 85,000,000 fully paid ordinary shares at an issue price of \$9.00 per share to part fund the acquisition of all of the shares in Kalgoorlie Lake View Pty Ltd, which holds a 50 percent interest in KCGM and in the operations and assets managed by KCGM, and certain additional associated assets. Transaction costs associated with the raising total \$16.6 million.

NOTES TO THE FINANCIAL STATEMENTS

15. Dividends

(a) Ordinary shares

	31 December 2019 \$'000	31 December 2018 \$'000
Final dividend for the year ended 30 June 2019 of 7.5 cents (2018: 5 cents) per fully paid share paid on 20 November 2019 (2018: 28 September 2018)	48,670	31,973

16. Commitments

(a) Gold delivery commitment

Australian dollar gold delivery commitments as at 31 December 2019 were as follows:

	Gold for physical delivery (Ounces)	Weighted average contracted sales price (A\$)	Value of committed sales (A\$'000)
Within one year	245,000	1,892	463,573
Later than one year but not later than five years	276,000	2,115	583,673

US dollar gold delivery commitments as at 31 December 2019 were as follows:

	Gold for physical delivery (Ounces)	Weighted average contracted sales price (USD\$)	Value of committed sales (\$000s)
Within one year	22,500	1,357	30,532
Later than one year but not later than five years	-	-	-

17. Asset acquisition

On the 26 August 2019, Northern Star Resources Ltd ("Northern Star") and Echo Resources Limited ("Echo") entered into a Bid Implementation Agreement, in which Northern Star offered to acquire all of the issued and outstanding ordinary shares in Echo that it did not already own.

On 14 October 2019, Northern Star acquired control of Echo through a combination of its pre-existing stake, acceptances of the Northern Star Offer and on-market acquisitions. The takeover was completed on 6 December 2019. The total consideration paid by Northern Star was \$219.8 million.

The Group determined that the transaction does not constitute a business combination as defined by AASB 3. The acquisition of the net assets meets the definition of, and has been accounted for, as an asset acquisition.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 is applied. No goodwill arises on the acquisition and transactions costs of the acquisition are included in the capitalised cost of the asset.

NOTES TO THE FINANCIAL STATEMENTS

Details of the fair values of assets acquired as at date of purchase are as follows:

	\$'000
Purchase consideration	
Cash paid	103,322
Acquisition costs	12,894
Carrying value transferred on obtaining control	103,583
	<u>219,799</u>
<p>The opening carrying value of Echo on 1 July 2019 was \$16.3 million; the Company paid cash of \$88.4 million prior to obtaining control; and recognised losses of \$1.1 million as an associate: resulting in a total associate carrying value of \$103.6 million being transferred on obtaining control.</p>	
Net assets acquired	
Cash and cash equivalents	15,810
Trade and other receivables	1,246
Property, plant and equipment	20,511
Exploration and evaluation assets	208,586
Trade and other payables	(5,109)
Provisions	(521)
Provision for rehabilitation	(20,724)
Net assets acquired	<u>219,799</u>

18. Business combination

Prior period

On 28 September 2018, Northern Star completed the acquisition of the Pogo gold project in Alaska from Sumitomo Metal Mining Co., Ltd (85% interest and the mine operator) and Sumitomo Corporation (15% interest) for US\$260.3 million (A\$360.4 million). Details of this acquisition were disclosed in note 13 of the Group's annual financial statements for the year ended 30 June 2019.

19. Income Tax Expense

The income tax expense for the 6-month period to 31 December 2019 includes the initial recognition of \$21.6 million of tax losses recognised on the date Echo Resources Limited became a member of Northern Star's Australian tax consolidated group (6 December 2019). The recognition of these losses required the application of judgement about their likely use and changes in these initial assessments may alter their measurement. Northern Star was required to consolidate Echo Resources as a subsidiary on 14 October 2019 on obtaining control (refer to note 17). As at 14 October 2019, the Company was not able to recognise the deferred tax asset associated with these losses because it was contingent on the outcome of future events that had not occurred at acquisition date. Consequently, the initial recognition of these tax losses has resulted in a post-acquisition credit to the Income Statement. Excluding the impact of initially recognising these losses, and the higher than 30 percent tax rate arising on Pogo's US income tax benefit, Northern Star's effective tax rate for the 6-month period to 31 December 2019 was 29.4 percent.

NOTES TO THE FINANCIAL STATEMENTS

20. Events occurring after the reporting period

Subsequent to the period end, the Company announced:

- an interim dividend of 7.5 cents per share to Shareholders on the record date of 9 March 2020, payable on 30 March 2020.
- On 3 January 2020, the Company completed the acquisition of all the shares in Kalgoorlie Lake View Pty Ltd (KLV), which holds a 50% interest in Kalgoorlie Consolidated Gold Mines Pty Ltd (KCGM), for US\$775 million and associated assets for US\$25 million; a total of US\$800 million. Northern Star acquired the interest in KCGM, which owns the Kalgoorlie Super Pit gold mine, from Newmont Goldcorp Corporation. This transaction delivers Northern Star a half share in a significant gold system and is consistent with its stated business strategy by elevating Northern Star's global significance as a +1Mozpa gold producer with four Tier-1 assets in Tier 1 locations.
- The acquisition of KLV was funded with a combination of debt (note 12) and equity. An equity raising was completed on 18 December 2019 with 85 million new shares being placed at a price of \$9.00 per share, raising a total of A\$748.4 million (net of \$16.6 million in transaction costs). A\$425 million of debt was drawn on 31 December 2019. The combined proceeds from the equity raising and debt draw were held in cash at reporting date and were subsequently used to pay for the acquisition. Total consideration for the transaction was A\$1.17 billion.
- To manage the foreign currency risk between the date of the binding sale agreement (17 December 2019) and ultimate settlement, derivative instruments were used to fix in the exchange rate for conversion of the funds raised into United States Dollars (USD). A cash flow hedge accounting arrangement was established to link the derivative arrangement, and subsequently USD denominated cash, with the underlying transaction to acquire KLV. An unrealised loss of \$22.3 million is recorded in the cash flow hedge reserve at reporting date.
- On completing the transaction, and after the reporting period, an obligation to pay stamp duty, initially estimated at between \$50-55 million has been incurred. Consistent with business combination accounting this amount will be recognised as an expense in the Income Statement during the second half of the year. A Share Purchase Plan (SPP) was also completed subsequent to reporting date with the proceeds intended to be used for working capital. The SPP raised a further \$50 million of funds through the issue of 5.56 million shares at \$9.00.
- At the date of this report the initial business combination accounting is incomplete and as such no disclosures have been made about the allocation of consideration to identifiable assets and liabilities.
- On 24 January 2020, the Share Purchase Plan (SPP) announced on 17 December 2019, targeting a raising of \$50 million, closed over-subscribed. As a result, applications were not met in full. Allocations were made on a pro rata basis for all valid SPP applicants as at the SPP record date of 16 December 2019, with reference to shareholdings held on that date, in order to reduce the 14% dilutionary effect of the placement for those shareholders. This process ensured that all valid SPP applicants were treated equitably. Institutional shareholders who participated in the placement and related parties who will participate in the related party placement approved in general meeting on 22 January 2020, were excluded from the SPP allocation. All allotments and refunds were completed by 5 February 2020.
- On 22 January 2020, the Shareholders in general meeting approved an allotment of up to 555,555 shares at \$9 each to related parties of the Company, being the same issue price as the institutional placement referred to in Note 20. The allotment of 555,555 shares, raising \$5 million, will occur before 22 February 2020.

There are no other matters or circumstances that have arisen since 31 December 2019 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial years

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 28 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year on that date, 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.
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

This declaration is made in accordance with a resolution of the Directors in accordance with sections 303(4) and (5) of the *Corporations Act 2001*.



BILL BEAMENT
Executive Chairman
Perth, Western Australia

11 February 2020

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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Independent Auditor's Review Report to the members of Northern Star Resources Limited

We have reviewed the accompanying half-year financial report of Northern Star Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 28.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Northern Star Resources Limited's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Northern Star Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Northern Star Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Liability limited by a scheme approved under Professional Standards Legislation.

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INDEPENDENT AUDITOR'S REPORT

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Northern Star Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Dave Andrews
Partner
Chartered Accountants
Perth, 11 February 2020

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