



**NORTHERN STAR**  
RESOURCES LIMITED

**2016**  
Annual Report



## TABLE OF CONTENTS

## PAGE

|                                    |              |
|------------------------------------|--------------|
| Corporate Directory                | Inside Cover |
| Chairman's Address                 | 1            |
| Highlights                         | 2            |
| Review of Operations               | 3            |
| Directors' Report                  | 15           |
| Auditor's Independence Declaration | 26           |
| Financial Report                   | 27           |
| Independent Auditor's Report       | 68           |
| Additional Information             | 70           |
| Tenement Schedule                  | 71           |

## DIRECTORS

|                  |                          |
|------------------|--------------------------|
| Christopher Rowe | (Non-Executive Chairman) |
| Bill Beament     | (Managing Director)      |
| John Fitzgerald  | (Non-Executive Director) |
| Peter O'Connor   | (Non-Executive Director) |

## COMPANY SECRETARY

Liza Carpane

## SHARE REGISTRY

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Cover photograph (L-R):

Craig Boulton (Project Manager), Robert Osboine (Jumbo Operator) and Stasi Capsanis (Underground Manager) at the Millennium Project

Photographer: Melissa Drummond

Dear Shareholder

It was a good year to be an Australian gold miner and a great year to be a Northern Star Shareholder.

The combination of the higher US-dollar gold price and lower Australian dollar provided our industry with the ideal environment to deliver strong returns for Shareholders.

With this wind in our back, the onus was on us as a company to maximise the opportunity by continuing to drive down costs and to set ourselves up for the next chapter of growth by investing in exploration and development.

I believe our team seized the day in every respect, delivering a 65% increase in net profit to a record A\$151.4 million for the year to 30 June 2016.

All-in sustaining costs continued to fall, averaging A\$1,041/oz, helping to fuel a 21% rise in underlying free cash flow to a record A\$224.3 million.

The strong performance culminated in your Company finishing the year with cash and cash equivalents of A\$326 million, up from A\$178 million a year earlier. And we have no bank debt.

As a result, we increased the full-year dividend from 5¢ to 7¢, fully-franked.

At the time of writing, your Company had just announced the sale of its Plutonic gold mine. While it may sound odd to say that an asset sale can be a milestone in a growth strategy, the reality is that the transaction heralds the next chapter in a plan based on organic growth and maximising financial returns.

As well as ensuring we can maintain downward pressure on our costs, the sale enables us to focus our resources on four key operational centres: Kalgoorlie, Jundee, Paulsens and Tanami.

Each of these centres has significant production and exploration scale. This reflects a key theme being pursued by both global investors and overseas gold mining majors and is consistent with Northern Star's strong belief that centres of such magnitude will be increasingly valuable as global gold exploration struggles to replace the world-class orebodies as they are mined out.

This strategy also stems in part from the significant exploration success Northern Star has enjoyed at each of these centres over the past two years. As our results show, we have numerous outstanding opportunities to continue increasing our gold inventory, enabling us to generate organic growth at just a fraction of the prices being paid to acquire Resources and Reserves in the current environment.

The benefits of this approach were highlighted by our recent 33% increase in Reserves to 2.0 million ounces. Importantly, these Reserves were added at a cost of just A\$50/oz, equal to about 10% of current market acquisition prices.

This exploration success puts us firmly on track to achieve our goal of increasing production to an annual rate of 600,000oz by 2018.

However, as impressive as this growth is, it still represents only a means to an end. That end is financial and Shareholder returns. Northern Star is proud of its record of delivering some of the highest financial returns of any ASX-listed company, including those in the industrial sector, and our approach to growth will always be dictated by such measures, not by tonnes and ounces.

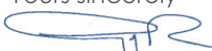
Your Board believes that it is particularly important to remember this adage at times such as those currently being witnessed in the gold sector. Shareholder wealth has a habit of being damaged when markets are thriving and therefore financial discipline is even more imperative in such a climate.

The past year has seen your Company capitalise on its opportunities and create a platform for further growth while not exposing Shareholders unnecessarily to the inevitable volatility which comes with being a resources company.

The credit for this success goes to our outstanding management team, employees, service providers and suppliers. Their vision, commitment and willingness to run their own race has, with the support of the Board, enabled Northern Star to deliver superior results on all fronts. I thank them for their enormous efforts.

I would also like to thank our Shareholders for the strong support you have given the Company as we implement our strategies for growth.

Yours sincerely



**CHRIS ROWE**  
**Chairman**

19 August 2016



## Northern Star:

an Australian mid-cap gold miner that is positioned among the top 25 gold miners globally with costs in the lowest quartile of its peer group, no debt, asset diversity and an exciting pipeline of organic growth opportunities –

***another year of stellar achievements***

- ✱ Return on equity of 39% and Return on Invested Capital of 28% in FY2016
- ✱ Record net profit after tax of A\$151.4M – up 65%
- ✱ Annual fully franked dividends of A7¢ per share – up 40%
- ✱ Reserves increased by 33% to 2.0Moz, after mining 611Koz and at a discovery cost of just A\$50/oz
- ✱ Resources increased to 9.25Moz
- ✱ Central Tanami Project Joint Venture settled 31 July 2015
- ✱ Mines and Money “Best Australian Mining Company”



Our **VISION** is to continue to build a safe, quality mining and exploration company focussed on creating value for Shareholders.

Our **MISSION** is to generate earning accretive value for our Shareholders through operational effectiveness, growth opportunities and exploration with a prime focus on success to deliver on our targets.

Our **CORE VALUES:**

### SAFETY

It matters and starts with you.

### TEAMWORK

Together we can.

### STARR

It's what we stand for.

### ACCOUNTABILITY

The responsibility lies with you.

### RESPECT

To get it you must give it.

### RESULTS

We deliver on our promises.



## OVERVIEW

Northern Star Resources Limited (Northern Star) is an ASX 100 gold (Au) production and exploration company with a Mineral Resource base of 9.25 million ounces and Ore Reserves of 2.0 million ounces<sup>(1)</sup>, located in highly prospective regions of Western Australia and the Northern Territory.

As the third largest Australian gold producer, Northern Star continues to deliver on its growth strategy objective of being a significant gold company delivering outstanding value to its Shareholders. During FY2016, the Company sold 561,153 ounces of gold from its five West Australian operating business units being the Jundee, Kundana<sup>(2)</sup>, Kanowna Belle, Paulsens and Plutonic Mines.

The Company continues to advance activities at the Central Tanami Project in the Northern Territory.

In parallel, the Company has had significant exploration success during the previous year through the diligent work of our Exploration Team and targeted expenditure of A\$50 million which has extended mine lives and has enabled the Company to progress the creation of an exciting organic pipeline of future projects for the business. In FY2017, the Company will invest A\$60 million in exploration to generate the mines of the future, grow production and follow up the significant success achieved in FY2016.



## OUR PEOPLE, HEALTH AND SAFETY, ENVIRONMENT AND COMMUNITY



Participants at the 2016 Leadership Forum

### Our People and Our Culture

Over the last financial year, the Company continued to consolidate its operations, and embarked on an organic growth strategy. As the Company strengthens and evolves, its reliance on its people grows.

Northern Star conducts an offsite Leadership Forum each year involving the Board, Executive, key Site Leadership and Technical personnel. This forum provides an opportunity to build relationships across the Group, and to generate ideas and input into the future direction of the business.

The Company believes that its future leaders will be developed from within its diverse workforce and that they will benefit from an inclusive and entrepreneurial environment. The Company seeks to provide challenging career development opportunities and, as a result of the development and growth of the business, the Company is pleased that it has been able to provide substantial internal career advancement opportunities to its employees during the previous year.

Northern Star remains a significant and proud employer with a workforce of ~1,600 people, comprising ~900 direct employees and ~700 contractors across the business.

Management is committed to operating the business at all levels based on its core values of: **Safety, Teamwork, Accountability, Respect** and **Results (STARR)**, and encourages its employees and contractors to challenge behaviours that are inconsistent with these values. Adherence to the STARR Core Values is non-negotiable, as they remain the foundation for driving the culture within the Northern Star Family, and are the platform for employees and contractors alike to contribute to achieving Northern Star's vision.

<sup>(1)</sup> As at 30 June 2016 – see ASX Release dated 28 July 2016.

<sup>(2)</sup> 51% interest in the East Kundana Joint Venture.

Northern Star values diversity in its workforce, and is an equal opportunity employer, based on the best person for the position at the time of recruitment. During FY2016, the Company implemented a new Equal Employment Opportunity Policy which aligns with its management philosophy and Code of Conduct, and affirms the Company's commitment to equality across its business.

Northern Star's overall female participation rate increased to 14.11% (2015: 13.23%), with females in senior positions accounting for 2.6% (2015: 2.01%) of the total workforce. Management are committed to further improving female participation rates across the Group in line with our recruitment practices. The Company's 2015-16 Workplace Gender Equality Report is located on our website at <http://www.nsrld.com/about/corporate-governance/>.



Northern Star attendees at the 2015 WIMWA Summit

Northern Star recognises its responsibility to ensure Aboriginal peoples and most importantly the Traditional Owners on the lands which we operate on are meaningfully engaged through employment and enterprise development opportunities across the Company's operational footprint. Similarly, it understands Aboriginal people and their place-based affinity with their traditional country offers the organisation a unique and valued resource of local employees. Northern Star is proud to support Aboriginal Ranger Programs at three of its operations which engages local people to perform environmental services on a flexible basis (see the Social Responsibility Section for further details).



Gerald Connors (Jundee) and Cleone Gunn,  
CCI Apprenticeship Enrolment

The Company continues to support the professionals of the future by committing to employ new graduates each year from a variety of disciplines relevant to the mining industry. In addition, the Company also provides opportunities for university students to engage in meaning summer vacation work to prepare them for a future in the industry. Last year's intake saw Northern Star employ 19 new graduates and 17 vacation students. The Company was also pleased to offer four new apprenticeships during the last year, which included two mature age trade apprenticeships to existing employees.

People remain our greatest strength and the Company continues to create opportunities where employees can build outstanding careers in a vibrant and ever-changing industry. The Company encourages innovative thought and entrepreneurial spirit in its employees, however Northern Star will not tolerate unnecessary risk taking by employees or service providers which jeopardises the safety of its workforce, the environment or its reputation in the Community.

The Board acknowledges the ongoing dedication and hard work of its employees, service providers and suppliers, as it continues to grow the business.

## Health and Safety

Northern Star values the health and safety of its employees, contractors and stakeholders within our community. We have an embedded Company focus for hazard identification and risk reduction, and promoting positive safety behaviours within the Company. Importantly, we monitor leading safety indicators to target injury prevention and awareness through our Five STARR safety program on a day-to-day basis to further improve safety culture in the workplace.

Standardisation of key safety functions and processes has continued to remain the core focus of the Company. Building a strong and robust safety management framework has allowed further enhancement of areas such as leadership, risk management, training and governance.

In November 2015, a team member at the Paulsens gold mine sadly passed away. The Board, management and staff offer our deepest sympathy and condolences to his family, friends and colleagues. A full investigation is being conducted by the relevant authorities following this sad event.

As at 30 June 2016, Northern Star's Lost Time Injury frequency rate (LTIFR) was 5.1 (2015: 2.1) and its Total Recordable Injury frequency rate (TRIFR) was 20.4 (2015: 13.0). The Company will continue to demand improvement in safety performance and foster a culture that strives for zero harm outcomes.





## Environment

Northern Star is committed to high standards in environmental management and performance.

Through the implementation of a company-wide Environmental Management System (EMS) and the dedication of its workforce, Northern Star commits to mitigating and minimising environmental impacts associated with its business activities. Northern Star acknowledges that there is more to simply being given a legal right to mine, and that respecting the environmental values held by people outside of the organisation is an integral part of doing business.

The Northern Star's revised EMS contains company-wide standards for:

- Mine Closure
- Environmental Incident Reporting
- Energy and Climate Change
- Biodiversity Management
- Environmental Risk Management



Finch rehabilitation at Paulsens (Photo: Kirstie Warren)

Northern Star had no material adverse environmental incidents in FY2016.

Beyond the framework of the EMS, Northern Star has committed to a range of innovative strategies for continually advancing our environmental performance. The following examples indicate the Company's commitment:

- Rangers Programs: the Company has expanded the contracting of Traditional Owners for environmental services across three operations. This sees environmental services being conducted by local Ranger Groups who have a cultural affinity and obligation with the lands on which we operate.
- Heat Exchange Technology: the Company has entered into a Power Purchasing Agreement with Enerji Ltd to progress heat exchange technology for power generation at the Jundee mine. Enerji's cutting edge heat to power generation technology captures waste heat and converts it into useable power. When the 1.5MW heat-to-power plant is installed at the Jundee mine, it will reduce fuel consumption and carbon dioxide emissions.
- Seed Germination Improvement Project: the Company is also partnering horticultural company Bentonite Products WA in investigations to improve native seed germination rates through the use of bentonite clay in the seeding process. If successful, this study has the potential to improve seed strike rates and ultimately make the overall mine rehabilitation process both more economical and effective.

## Social Responsibility

In FY2016, Northern Star continued to create both respectful and trust-based relationships with all Stakeholders touched by our business activities.

Northern Star operate on the belief that as an organisation, its activities must be guided by a purpose beyond profit and that the support and trust of its activities by the communities in which it operates is fundamental to the Company's long-term success and the creation of a strong Social License to Operate.

Stakeholder trust and respect is only gained through the acknowledgement of the organisation's impacts on the environmental, economic and social landscapes: both positive and negative. With this in mind, Northern Star seeks to identify opportunities for the creation of shared-value for Stakeholders, in return for the opportunity to extract mineral wealth.

In line with the EMS roll-out, the Company secured operation-wide compliance to its Social Responsibility Standards. These standards aim to ensure transparent and open engagement processes exist for those people who reside on or are located nearby our

business areas, and cover the following important aspects of mine operation:

- Stakeholder Mapping
- Complaints and Grievances Management
- Cultural Heritage Management
- Stakeholder Engagement

The Company significantly expanded its commitment to supporting Traditional Owners through the expansion of Ranger environmental compliance contracting across its operations. Building off the success of the Jundee Ranger program, which is now in its fifth year of continuous operation, the Gingirana Marputu Rangers at Plutonic are expanding their work to later this year take on the ground water compliance monitoring for the entire mine. To help with the expansion of this project, Northern Star was able to work with Gingirana Traditional Owners, Central Desert Native Title Services and the Department of Prime Minister and Cabinet to secure \$350,000 of funding over three years from the Commonwealth.

Similarly, at the Central Tanami Project in the Northern Territory, the Company is pleased to contract with the Lajamanu Rangers as professional environmental contractors (through the Central Land Council) to manage the invasive weed control around the Project's operational areas, and to take over the responsibility for the ground water compliance monitoring program. This is a positive outcome for the environment, and a business creation opportunity for the Lajamanu Rangers.

The Company is constantly reviewing other opportunities to increase its effective engagement of Aboriginal employees and contractors, through both mainstream and fit for purpose roles. Northern Star encourages all of our service providers and valued business partners to embrace this strategy, by supporting the employment and training of local Aboriginal peoples where possible.



**Northern Star employees with Wiluna Martu Rangers and Central Desert Staff, Wiluna (Photo: Wayne Quilliam)**

The Company's support for leading Australian research institution, NintiOne and their Interplay Project, should soon realise some invaluable data regarding our investment in Aboriginal Ranger groups when they release their final reports in late 2016. The project aims to capture the interplay between Aboriginal health, culture, community empowerment, employment, education and well-being. The Company anticipates the results will help to ensure more Aboriginal people are provided with the appropriate resources and opportunities for meaningful career development in the future.

In late 2015, Company representatives participated in a social return on investment analysis, run by Social Ventures Australia, and commissioned by the Department of Prime Minister and Cabinet. A key finding of this study was that for every dollar spent on Aboriginal Rangers Programs, \$2.30 of subsequent value is created.

At the Jundee operation, support continued for the Federal Government's Remote School Attendance Strategy, through the High Attendance Initiative with the Wiluna Remote Community School. At the end of each term, students who maintained an 80% or higher attendance rate are invited out to the Jundee Village for a special dinner and award ceremony. While simple in strategy, feedback from the School confirms that this initiative does play a positive role in improving attendance rates.



**Saint Barbara's Festival 2015**

Northern Star recognises the importance of its contribution to our local residential communities, such as Kalgoorlie. The Company is a significant employer of local people, and through a buy-local strategy, utilises local suppliers where possible and participates in community initiatives and activities. Each year, Northern Star and its employees join with the local community to celebrate the Saint Barbara's Festival held in the beginning of December. Saint Barbara has long been revered as the patron saint of miners. The Festival is steeped in tradition and it recognises the ongoing socio-economic contributions the mining sector makes to the region, and honours the past and present men and women of the mining industry.

Northern Star also believes that it is important to participate in community initiatives that are not directly related to our business. The Company and its employees are pleased to participate in and support initiatives such as:

- The Telethon Adventurers: fighting to find a cure for childhood cancer. Together, Northern Star and its employees donated \$250,000 in FY2016;
- City to Surf: supporting people living with disability in Western Australia. In FY2016, 90 employees and family members participated in this event;
- Kalgoorlie Girls Academy: promoting local youth sporting initiatives;
- The Royal Flying Doctor Service: a critical service to remote communities as well as FIFO operations;
- Ruggies Recycling Program: proceeds from recycling efforts at operations are donated to PMH Foundation, and resulted in the purchase of much needed medical equipment for doctors at Princess Margaret Children's Hospital; and
- Kalgoorlie Boulder Urban Land Care Group: local tree planting and clean up days.



**Kalgoorlie Boulder Urban Land Care Group: Tree Planting Day**

Northern Star had no material adverse Community incidents in FY2016.

Northern Star's expanded family of employees and service providers are expected to, at all times, embrace an inclusive culture, and continue to strengthen and expand relationships with all stakeholders.

## MINE OPERATIONS REVIEW

|                             | Measure        | Jundee    | Kundana<br>(51%) | Kanowna<br>Belle | Paulsens | Plutonic* | Total     |
|-----------------------------|----------------|-----------|------------------|------------------|----------|-----------|-----------|
| Total Material Mined        | tonnes         | 1,245,354 | 463,161          | 748,610          | 398,812  | 639,742   | 3,495,679 |
| Total Material Milled       | tonnes         | 1,290,366 | 454,617          | \$802,395        | 386,570  | 934,507   | 3,868,456 |
| Gold Grade                  | grams/tonne    | 5.5       | 7.6              | 4.0              | 7.2      | 2.8       | 5.0       |
| Gold Recovery               | %              | 93        | 96               | 94               | 90       | 78        | 91        |
| Gold Produced               | Ounce          | 209,515   | 107,189          | 95,840           | 80,742   | 64,857    | 558,143   |
| Gold Sold                   | Ounce          | 209,572   | 107,188          | 99,935           | 80,278   | 64,180    | 561,153   |
| Revenue                     | A\$000's       | 330,603   | 158,031          | 170,452          | 126,703  | 101,629   | 887,417   |
| Cost of Sales               | A\$000's       | 231,404   | 99,800           | 87,307           | 93,908   | 120,419   | 632,838   |
| Depreciation & amortisation | A\$000's       | 73,932    | 25,639           | 17,594           | 32,302   | 24,168    | 173,635   |
| EBITDA                      | A\$000's       | 173,316   | 103,981          | 80,424           | 64,929   | 4,448     | 427,098   |
| All in Sustaining Cost      | A\$/ounce sold | 1,007     | 888              | 782              | 1,099    | 1,738     | 1,041     |

\* Discontinued operation

Performance for the 2016 financial year has been generated from the Jundee, Kundana, Kanowna Belle, Paulsens and Plutonic gold mines. In the 2016 financial year, a total of 561,153 ounces of gold was sold at an average price of A\$1,578 (2015: A\$1,453). All-in sustaining cost for the period was A\$1,041 per ounce (2015: A\$1,065).

During the period, 3.9 million tonnes were milled at an average head grade of 5.0gpt Au for 558,143 ounces Au recovered. Unprocessed ore stocks available for mill feed at the end of the period contained 80,342 ounces Au. Gold in circuit at the end of the period totalled 15,136 ounces. These items are reflected in the accounts as gold in circuit at cost.

**Jundee** operation saw a number of achievements during the year with delivery of strong gold production, extension of mine life through Reserve growth and improvement in operating cost base through productivity and procurement initiatives. The development of a strategic diamond drilling drill drive was completed during the year to set a platform for drilling rigs to target the mine extensions on multiple mineralised zones. Investment continued in capital development to open up new mining fronts and setup future mine infrastructure.

The **Kundana** mines continued to grow production through the exploration and development of Hornet, Rubicon, Pegasus and Raleigh zones. This high grade mineralised system has demonstrated signs of linking at depth and has provided solid opportunity to extend mine life. Significant investment in exploration drilling has now turned towards mining development and production setup to grow mine output.

On the 100% Northern Star tenements, the Millennium discovery was rapidly advanced during the period with Resource drilling and dewatering of South pit occurring for mining to commence. This new development is also positioned well to access historic operations of Centenary, Pope John, Barkers and Strzelecki mines creating a future production centre for the Company.

The **Kanowna Belle** operation had strong success in lowering the operational cost base whilst maintaining productivity during the year with the mining activity throughout historic mining areas as well as accessing the newly discovered Velvet zone. The mine plan was extended through in-mine exploration leveraging off the extensive infrastructure in the underground. The Kanowna

processing facility increased throughput as the contribution of Kanowna and Kundana ore grew, with a record monthly throughput achieved in May 2016 at levels not seen since 2004.

The **Paulsens** operation continued to transition activity from the Voyager 1 zone to Voyager 2 zone with a resultant lift in head grade from the mine as the high grade upper zone was accessed. Capital upgrades to the ventilation system were completed which has set the mine for future years of production as well as power and surface infrastructure improvement. The mine continued to build a stockpile in addition to what was processed during the year that enables a future production source.

**Plutonic** transitioned its underground mining centre into the Caribbean zone as a primary ore source. The extensive underground workings enabled continued yield from multiple production fronts, low grade stockpiles also supplemented the year's production in the second half of the period to fully utilise the processing facilities. Resource drilling of the Hermes project continued with success and the finalisation of mining plans were performed during the year.

The Central Tanami Project settlement occurred at the start of the year with Northern Star acquiring a 25% interest, and the ability to expand to 60% through redevelopment of the Project's processing facility. The focus during the year was Resource definition drilling of the Groundrush deposit and evaluation of refurbishment of the processing facilities. The Tanami region is integral to the Company's organic growth strategy to create a new concentrated centre of production in future years.



## FINANCIAL OVERVIEW

### Key Highlights <sup>[a]</sup>

|                                                     | Year Ended<br>30 June 2016<br>\$'000 | Year Ended<br>30 June 2015<br>\$'000 | Change<br>\$'000 | Change<br>(%) |
|-----------------------------------------------------|--------------------------------------|--------------------------------------|------------------|---------------|
| Revenue                                             | 887,417                              | 845,653                              | 41,764           | 5%            |
| EBITDA <sup>[1]</sup>                               | 401,280                              | 316,142                              | 85,138           | 27%           |
| Net profit <sup>[2]</sup>                           | 151,365                              | 91,902                               | 59,463           | 65%           |
| Cash flow from operating activities                 | 383,335                              | 359,009                              | 24,326           | 7%            |
| Cash flow used in investing activities              | (189,723)                            | (239,458)                            | 49,735           | (21%)         |
| Sustaining capital                                  | (92,898)                             | (104,747)                            | 11,849           | (11%)         |
| Non sustaining capital                              | (35,204)                             | (9,301)                              | (25,903)         | 278%          |
| Exploration                                         | (61,538)                             | (35,619)                             | (25,919)         | 73%           |
| Acquisition of businesses                           | -                                    | (90,729)                             | 90,729           | (100%)        |
| Other investing                                     | (83)                                 | 938                                  | (1,021)          | (109%)        |
| Free cash flow <sup>[3]</sup>                       | 196,312                              | 119,551                              | 74,061           | 62%           |
| Underlying free cash flow <sup>[4]</sup>            | 224,281                              | 185,628                              | 38,653           | 21%           |
| Average gold price per ounce (A\$)                  | 1,578                                | 1,453                                | 125              | 9%            |
| Gold mined (ounces)                                 | 611,288                              | 621,691                              | (10,403)         | (2%)          |
| Gold sold (ounces)                                  | 561,153                              | 580,784                              | (19,631)         | (3%)          |
| All-in sustaining costs (AISC) per ounce sold (A\$) | 1,041                                | 1,065                                | (24)             | (2%)          |
| Cash and cash equivalents (A\$ million)             | 315                                  | 167                                  | 148              | 89%           |
| Earnings Per Share (cents)                          | 25.2                                 | 15.5                                 | 9.7              | 63%           |

<sup>[a]</sup> Key highlights presented in the table above are inclusive of Plutonic operations results for the year ended 30 June 2016 and 30 June 2015.

<sup>[1]</sup> EBITDA is earnings before interest depreciation, amortisation and impairment and is calculated as follows: Profit before Income tax plus depreciation, amortisation, impairment and finance costs.

<sup>[2]</sup> Net Profit is calculated as net profit after taxation.

<sup>[3]</sup> Free Cash Flow is calculated as operating cash flow minus investing cash flow.

<sup>[4]</sup> Underlying Free Cash Flow is calculated as follows: 30 June 2016 - free cash flow (\$193.6 million) plus bullion awaiting settlement (\$1.9 million), plus acquisition and development of Central Tanami Project (\$22.8 million), plus stamp duty paid on prior acquisitions (\$4.9 million), less working capital adjustment (\$1.0 million). 30 June 2015 - free cash flow (\$119.6 million) plus Jundee gold mine acquisition (\$90.7 million) and Hermes acquisitions (\$1.95 million), plus one off acquisition and restructure expenses (\$12.8 million and \$4.2 million respectively), less working capital adjustment (\$43.6 million).

EBITDA, Underlying Free Cash Flow and All-in Sustaining Costs (AISC) are unaudited non IFRS measures

The Group's operating and financial performance for the twelve months ended 30 June 2016 reflects the focus on productivity and cost reduction whilst maintaining growth options through exploration. Increased free cash flow generation in the 2016 financial year follows operational efficiencies, a focus on cost reduction across all sites and an increase in the gold price realised per ounce.

### Profit

The profit overview commentary includes results from both continuing and discontinuing operations. For the financial year ended 30 June 2016 the Group reported a profit after tax of \$151.4 million (2015: \$91.9 million). Revenue increased 5% to \$887.4 million, the principle driver being the higher gold price per ounce realised (2016: \$1,578; 2015: \$1,453). Gold sold for the current year was at the higher end of full year guidance at 561,153 ounces (guidance FY2016 535,000-570,000 ounces) and AISC of \$1,041 per ounce sold was below full year guidance (\$1,050-\$1,100 per ounce sold).

EBITDA was \$401.3 million for the year ended 30 June 2016, which was an increase of 27% over the corresponding prior period. The Group reduced overall finance charges by 51% (2016: \$4.5 million; 2015: \$9.1 million) consistent with the refinancing and nil debt position of the Group. An impairment charge of \$5.1m million was recorded on exploration and evaluation assets (2015: \$8.5 million).

### Balance Sheet

Current assets as at the 30 June 2016 increased by 29% against the prior year balance date. The increase was largely a result of cash and cash equivalents increasing by \$147.9 million and the classification of the Plutonic operations as held for sale.

Non-current assets decreased by \$7.2 million principally due to the re-classification of the Plutonic operations as a current asset held for sale, which offsets the increased spend on non-sustaining capital (2016: \$35.2 million; 2015: \$9.3 million) and exploration and evaluation during the year ended 30 June 2016 (2016: \$61.5 million; 2015: 35.6 million).

Trade and other payables and provisions decreased as at 30 June 2016 principally due to the classification of the Plutonic operations as held for sale. Current tax liabilities increased to \$35 million consistent with the increased earnings profile of the Group.

The increase in Issued capital was predominately due to the shares issued as part of the Central Tanami acquisition.

## Cash Flow

Cash flow from operating activities for the 12 months ended 30 June 2016 were \$383.3 million which was \$24.3 million higher than the previous financial year due to the higher realised gold price per ounce (2016: \$1,578; 2015: \$1,453) offset by reductions in production and income taxes paid.

Cash flows for investing activities increased by 20% after allowance for the acquisitions in the current and prior period (2016: Tanami \$11.0 million; 2015: Jundee \$90.7 million). This was largely as a result of the Group's extensive capital development and exploration program.

Cash flows from financing activities included payments for leased equipment of \$9.7 million (2015: 8.0 million) and dividends totalling \$36.0 million (2015: 26.5 million) paid to Shareholders.

## Full Year 2017 Production and Cost Guidance

The following guidance was announced to the ASX on 1 August 2016:

|                       | Production<br>Ounces     | AISC/oz<br>\$        |
|-----------------------|--------------------------|----------------------|
| Jundee                | 220,000 - 230,000        | 1,000 - 1,050        |
| Kalgoorlie Operations | 200,000 - 210,000        | 950 - 1,000          |
| Paulsens              | 65,000 - 75,000          | 1,200 - 1,250        |
| <b>Total</b>          | <b>485,000 - 515,000</b> | <b>1,000 - 1,050</b> |



## EXPLORATION

### Paulsens Mine

The Paulsens Mine continued to drill the Voyager 2 and Titan extensions down-plunge to maintain resources in future production areas. Lateral extension and exploration also targeted the Galileo and Southern Gabbro vein mineralisation systems.

### Plutonic Mine

Plutonic Mine drilling focused predominantly on grade control and Resource drilling. Exploration work undertaken during the year developed extensions to the existing Mineral Resource base in the Caribbean, Timor, Indian, Caspian and Baltic areas of the Mine.

### Kalgoorlie Operations

The Kundana and Kanowna Belle Operations continued large near-mine exploration programs that delivered strong growth to the existing Mineral Resource domains and generated several new discoveries with an increase of 0.5 million ounces in Resources after depletion. At Kanowna Belle Operations, rapid exploration of the new Velvet discovery continued with production development reaching the deposit at the end of the year.

Near-mine exploration within the EKJV area (Northern Star 51%) in the Kundana region was successful in maintaining the total Resource inventory for Pegasus, Rubicon, Hornet and Raleigh Deposits.

Exploration within the Northern Star's 100% owned Kundana tenements was exceptionally successful with a further increase to the Millennium Deposit and maiden Resource announced for the Barkers Deposit (137,000 ounces) with further drilling planned for all areas in the coming year.

### Jundee Operations

Jundee Operations continued infill and Resource extension drilling within the mine with increases in the Gateway area more than offsetting depletion thus growing existing Mineral Resource and Ore Reserve boundaries. Exploration drilling commenced from the new drill drive platform during the year resulting in two exciting new discoveries, being the Revelation and Armada trends, which are not included in the Mineral Resource statement at this time.

### Pilbara Regional

#### Paulsens Regional

Exploration drilling targeting extensions to the Paulsens Mine sequence has been completed. Surface sampling programs continued on regional targets across the Wyloo Dome area.

#### Fortescue JV and Northern Star's Regional Exploration

Gold exploration programs continued on the Fortescue JV and 100% Northern Star tenements in the Ashburton Basin with regional geochemical sampling programs and initial exploration programs at the Soldiers Secret and Charlie's Creek prospects completed.

### Plutonic Region

Exploration drilling at the Trout, Cod, MMR and Zone 114 and Plutonic West prospect areas were completed. Target generation programs in the Timor and Zone 114 areas were completed to assist with drill targeting.

### Hermes Project

Further infill and extensional drilling at the Hermes Project resulted in a significant increase in Mineral Resources to 314,000 ounces and the definition of a maiden open pit Ore Reserve of 101,000 ounces as at 30 June 2016. The Project has moved into production planning with site development to be commenced shortly.

### Jundee Region

Surface exploration within the entire regional Jundee tenement package resulted in a significant upgrade to the regional geological understanding and the generation of significant new drilling targets. Following heritage clearance activities, initial drilling on these new targets has commenced. Further drilling completed on open pit targets in the Gourdis-Vause area has identified extensions to existing Resource areas with further follow up drilling planned.

### Kalgoorlie Region

#### Kanowna Belle

Further drilling increased the open pit Resources for the Six Mile Project.

#### Kundana EKJV (51% NST)

Surface drilling at the Pegasus, Drake and Falcon prospects continued to define new zones of gold mineralisation parallel to the main structures. Underground exploration drilling/development at Raleigh South was highly successful in identifying potential extensions to the Raleigh deposit opening up a significant new exploration target.

#### Carbine

Ongoing drilling at Paradigm has intersected significant high grade mineralised zones with further extensional drilling planned in this area.

#### Central Tanami (25% NST)

An extensive infill and extensional drilling program completed at the Groundrush Deposit achieved excellent results extending the main ore system and discovering new mineralisation within the hanging wall sequence. Development studies for the area are in progress.



Exploration activities at Central Tanami Project

## RESOURCES AND RESERVES

As at 30 June 2016, Northern Star's JORC 2012 reported Consolidated Group Mineral Resource Estimate (inclusive of Ore Reserves) is 82.5 million tonnes at 3.5gpt Au for 9.25 million ounces (refer Table 1 below) and the Consolidated Group Ore Reserve Estimate is 13.1 million tonnes at 4.7gpt Au for 2.0 million ounces (refer Table 2 below).

Mineral Resources have increased by 350,000 ounces Au from 8.9 million ounces Au as at 30 June 2015 year end to the current 9.25 million ounces Au Measured, Indicated and Inferred Mineral Resource after mining 611,000 ounces.

Proved and Probable Ore Reserve have increased by 460,000 ounces Au from 1.5 million ounces Au as at 30 June 2015 to the current 2.0 million ounces Au Proven and Probable Reserve at 30 June 2016.

### *Mineral Resource and Ore Reserve Governance and Internal Controls*

Northern Star ensures that the Mineral Resource and Ore Reserve estimates quoted are subject to governance arrangements and internal controls activated at a site level and at the corporate level. Internal and external reviews of Mineral Resource and Ore Reserve estimation procedures and results are carried out through a technical review team which is comprised of highly competent and qualified professionals. These reviews have not identified any material issues. The Company has finalised its governance framework in relation to the Mineral Resource and Ore Reserve estimates in line with the expansion of its business.

Northern Star reports its Mineral Resources and Ore Reserves on an annual basis in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code) 2012 Edition. Mineral Resources are quoted inclusive of Ore Reserves. Competent Persons named by Northern Star are Members or Fellows of the Australasian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists, and qualify as Competent Persons as defined in the JORC Code.



Geologists, Andrew Bull and Aimee Rogers, Kanowna Belle Underground

## Competent Persons Statements

The information in this announcement that relates to data quality, geological interpretations and Mineral Resource estimations for the Company's Paulsens, Ashburton, Jundee and Plutonic Project areas is based on information compiled by Brook Ekers (Member Australian Institute of Geoscientists), who is a full-time employee of Northern Star Resources Limited. Mr Ekers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" for the Group reporting. Mr Ekers consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

The information in this announcement that relates to exploration results, data quality, geological interpretations and Mineral Resource estimations for the Company's Kanowna, EKJV, Kundana and Carbine Project areas is based on information compiled by Nick Jolly and fairly represents this information. Mr Jolly is a Member of the Australian Institute of Mining and Metallurgy who is a full-time employee of Northern Star Resources Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Jolly consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

The information in this announcement that relates to Ore Reserve estimations for the Company's Project areas is based on information compiled by Jeff Brown and fairly represents this information. Mr Brown is a Member of the Australian Institute of Mining and Metallurgy who is a full-time employee of Northern Star Resources Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Brown consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

The information in this announcement that relates to the Central Tanami Gold Project is extracted from the Tanami Gold NL ASX announcement entitled "Quarterly Report for the Period Ending 31 March 2014" released on 1 May 2014 and is available to view on [www.tanami.com.au](http://www.tanami.com.au).

The information in this announcement that relates to Mineral Resource estimations, data quality, geological interpretations and potential for eventual economic extraction for the Groundrush deposit at the Central Tanami Gold Project is based on information compiled by Brook Ekers (Member Australian Institute of Geoscientists), who is a full-time employee of Northern Star Resources Limited. Mr Ekers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" for the Group reporting. Mr Ekers consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

The Company confirms that it is not aware of any further new information or data that materially affects the information included in the original market announcement entitled "Quarterly Report for the Period Ending 31 March 2014" released on 1 May 2014 and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. To the extent disclosed above, the Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

## Forward Looking Statements

Northern Star Resources Limited has prepared this announcement based on information available to it. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this announcement. To the maximum extent permitted by law, none of Northern Star Resources Limited, its Directors, employees or agents, advisers, nor any other person accepts any liability, including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this announcement or its contents or otherwise arising in connection with it.

This announcement is not an offer, invitation, solicitation or other recommendation with respect to the subscription for, purchase or sale of any security, and neither this announcement nor anything in it shall form the basis of any contract or commitment whatsoever. This announcement may contain forward looking statements that are subject to risk factors associated with gold exploration, mining and production businesses.

It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to price fluctuations, actual demand, currency fluctuations, drilling and production results, Reserve estimations, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory changes, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

\*Assumes an AUD/USD exchange rate of 0.7285c, averaged rate across FY2016

| <b>MINERAL RESOURCES</b>                 |                |             |                |                |             |                |                |             |                |                 |             |                |                  |
|------------------------------------------|----------------|-------------|----------------|----------------|-------------|----------------|----------------|-------------|----------------|-----------------|-------------|----------------|------------------|
| As at 30 June 2016                       |                |             |                |                |             |                |                |             |                |                 |             |                |                  |
|                                          | MEASURED       |             |                | INDICATED      |             |                | INFERRED       |             |                | TOTAL RESOURCES |             |                | Year on          |
| Based on attributable ounces Au          | Tonnes (000's) | Grade (gpt) | Ounces (000's) | Tonnes (000's) | Grade (gpt) | Ounces (000's) | Tonnes (000's) | Grade (gpt) | Ounces (000's) | Tonnes (000's)  | Grade (gpt) | Ounces (000's) | Competent Person |
| <b>PAULSENS GOLD PROJECT</b>             |                |             |                |                |             |                |                |             |                |                 |             |                |                  |
| Surface                                  |                |             |                |                |             |                | 634            | 2.0         | 41             | 763             | 2.2         | 55             | 3                |
| Mt Clement (20%)                         |                |             |                |                |             |                | 226            | 1.8         | 13             | 226             | 1.8         | 13             | 10               |
| Underground                              | 425            | 9.6         | 131            | 265            | 9.7         | 83             | 120            | 9.6         | 37             | 810             | 9.6         | 251            | 1                |
| Stockpiles                               | 133            | 1.8         | 8              |                |             |                |                |             |                | 133             | 1.8         | 8              | 1                |
| Gold in Circuit                          |                |             | 1              |                |             |                |                |             |                |                 |             | 1              | 0                |
| Subtotal Paulsens                        | 558            | 7.8         | 140            | 265            | 9.7         | 83             | 980            | 2.9         | 91             | 1,932           | 5.3         | 328            | (114)            |
| <b>ASHBURTON GOLD PROJECT</b>            |                |             |                |                |             |                |                |             |                |                 |             |                |                  |
| Surface                                  |                |             |                | 7,104          | 2.4         | 546            | 14,227         | 2.5         | 1,122          | 21,331          | 2.4         | 1,668          | 2,3              |
| Subtotal Ashburton                       |                |             |                | 7,104          | 2.4         | 546            | 14,227         | 2.5         | 1,122          | 21,331          | 2.4         | 1,668          | -                |
| <b>PLUTONIC GOLD PROJECT</b>             |                |             |                |                |             |                |                |             |                |                 |             |                |                  |
| Surface                                  |                |             |                | 3,686          | 2.2         | 265            | 613            | 2.5         | 49             | 4,300           | 2.3         | 314            | 5                |
| Underground                              | 1,010          | 5.8         | 189            | 2,611          | 5.3         | 446            | 5,230          | 4.4         | 748            | 8,852           | 4.9         | 1,384          | 4                |
| Stockpiles                               | 6              | 5.5         | 1              | 496            | 0.6         | 10             |                |             |                | 502             | 0.7         | 11             | 4                |
| Gold in Circuit                          |                |             | 8              |                |             |                |                |             |                |                 |             | 8              | 2                |
| Subtotal Plutonic                        | 1,016          | 6.1         | 199            | 6,793          | 3.3         | 721            | 5,844          | 4.2         | 797            | 13,653          | 3.9         | 1,717          | 23               |
| <b>KALGOORLIE GOLD PROJECT</b>           |                |             |                |                |             |                |                |             |                |                 |             |                |                  |
| <b>Kanowna</b>                           |                |             |                |                |             |                |                |             |                |                 |             |                |                  |
| Surface                                  |                |             |                |                |             |                | 1,288          | 1.9         | 80             | 1,288           | 1.9         | 80             | 7                |
| Underground                              | 1,903          | 4.1         | 254            | 5,163          | 4.1         | 684            | 3,256          | 3.9         | 404            | 10,322          | 4.0         | 1,342          | 6                |
| Stockpiles                               | 72             | 3.2         | 7              | 798            | 0.9         | 24             |                |             |                | 870             | 1.1         | 31             | 6                |
| Gold in Circuit                          |                |             | 8              |                |             |                |                |             |                |                 |             | 8              | 1                |
| Subtotal Kanowna Belle                   | 1,975          | 4.2         | 269            | 5,961          | 3.7         | 708            | 4,544          | 3.3         | 484            | 12,480          | 3.6         | 1,461          | 255              |
| <b>Kundana</b>                           |                |             |                |                |             |                |                |             |                |                 |             |                |                  |
| Surface                                  |                |             |                |                |             |                | 721            | 2.1         | 48             | 721             | 2.1         | 48             | 8                |
| Underground                              |                |             |                | 1,087          | 6.8         | 237            | 2,183          | 8.3         | 584            | 3,269           | 7.8         | 822            | 7                |
| Subtotal Kundana                         |                |             |                | 1,087          | 6.8         | 237            | 2,904          | 6.8         |                | 3,991           | 6.8         | 870            | 213              |
| <b>East Kundana Joint Venture (EKJV)</b> |                |             |                |                |             |                |                |             |                |                 |             |                |                  |
| Surface                                  |                |             |                | 148            | 4.8         | 23             | 201            | 1.6         | 10             | 349             | 2.9         | 33             | 8                |
| Underground                              | 160            | 24.7        | 127            | 1,539          | 10.7        | 529            | 634            | 11.7        | 239            | 2,334           | 11.9        | 895            | 7                |
| Stockpiles                               | 57             | 7.7         | 14             |                |             |                |                |             |                | 57              | 7.7         | 14             | 6                |
| Subtotal EKJV                            | 218            | 20.2        | 141            | 1,687          | 10.2        | 552            | 836            | 9.3         | 249            | 2,740           | 10.7        | 942            | (8)              |
| <b>Carbine</b>                           |                |             |                |                |             |                |                |             |                |                 |             |                |                  |
| Surface                                  |                |             |                | 190            | 0.8         | 5              | 7,044          | 1.4         | 312            | 7,234           | 1.4         | 317            | 8                |
| Total Kalgoorlie                         | 2,193          | 5.8         | 411            | 8,735          | 5.3         | 1,497          | 15,328         | 3.4         | 1,678          | 26,445          | 4.2         | 3,591          | 512              |
| <b>JUNDEE GOLD PROJECT</b>               |                |             |                |                |             |                |                |             |                |                 |             |                |                  |
| Underground                              | 893            | 8.5         | 244            | 2,077          | 6.5         | 432            | 715            | 5.6         | 129            | 3,685           | 6.8         | 806            | 9                |
| Open Pit                                 |                |             |                | 3,626          | 1.6         | 188            | 4,001          | 1.7         | 220            | 7,626           | 1.7         | 408            | 9                |
| Stockpiles                               | 1,036          | 1.23        | 41             |                |             |                |                |             |                | 1,036           | 1.2         | 41             | 9                |
| Gold in Circuit                          |                |             | 3              |                |             |                |                |             |                |                 |             | 3              | (0)              |
| Subtotal Jundee                          | 1,929          | 4.6         | 288            | 5,703          | 3.4         | 620            | 4,715          | 2.3         | 349            | 12,347          | 3.2         | 1,257          | 3                |
| <b>CENTRAL TANAMI PROJECT</b>            |                |             |                |                |             |                |                |             |                |                 |             |                |                  |
| CTP (25%)                                | 1,564          | 2.9         | 145            | 2,769          | 2.8         | 250            | 3,026          | 2.9         | 283            | 7,359           | 2.9         | 678            | 2,11             |
| Stockpiles (25%)                         | 350            | 0.7         | 8              |                |             |                |                |             |                | 350             | 0.7         | 8              | 12               |
| Subtotal CTP                             | 1,914          | 2.5         | 153            | 2,769          |             | 250            | 3,026          |             | 283            | 7,709           | 2.8         | 686            | 18               |
| <b>TOTAL RESOURCES</b>                   | <b>7,609</b>   | <b>4.9</b>  | <b>1,190</b>   | <b>31,369</b>  | <b>3.7</b>  | <b>3,717</b>   | <b>44,121</b>  | <b>3.0</b>  | <b>4,321</b>   | <b>83,418</b>   | <b>3.4</b>  | <b>9,246</b>   | <b>346</b>       |

**Note :**

1. Mineral Resources are inclusive of Reserves
2. Mineral Resources are reported at various gold price guidelines (a. AUD\$1,700/oz gold - Paulsens, Plutonic, Kanowna, Kundana, Jundee, and b. AUD\$1,850 /oz gold -Ashburton)
3. Rounding may result in apparent summation differences between tonnes, grade and contained metal content
4. Numbers are 100% NST attributable

**Competent Persons**

1. Lauren Elliott. 2. Graeme Bland. 3 Brook Ekers. 4. Luke Barbetfi. 5. Heath Anderson. 6. Darren Hurst. 7. Alan Pedersen. 8. Dena Omari. 9. Penelope Littlewood. 10. Artemis ASX release 2011. 11. Tanami Gold 2014 Annual Report

Table 1 – Consolidated Group Gold Mineral Resources Estimate (inclusive of Reserves) effective 30 June 2016

| ORE RESERVES                      |                |             |                |                |             |                |                |             |                |                  |                        |
|-----------------------------------|----------------|-------------|----------------|----------------|-------------|----------------|----------------|-------------|----------------|------------------|------------------------|
| As at 30 June 2016                |                |             |                |                |             |                |                |             |                |                  |                        |
| Based on attributable ounces Au   | PROVED         |             |                | PROBABLE       |             |                | TOTAL RESERVES |             |                | Competent Person | Year on Ounces (000's) |
|                                   | Tonnes (000's) | Grade (gpt) | Ounces (000's) | Tonnes (000's) | Grade (gpt) | Ounces (000's) | Tonnes (000's) | Grade (gpt) | Ounces (000's) |                  |                        |
| PAULSENS GOLD PROJECT             |                |             |                |                |             |                |                |             |                |                  |                        |
| Underground                       | 80             | 10.9        | 28             | 110            | 7.3         | 26             | 190            | 8.8         | 54             | 1                | (28)                   |
| Stockpiles                        | 133            | 1.8         | 8              |                |             |                | 133            | 1.8         | 8              | 1                | 1                      |
| Gold in Circuit                   |                |             | 1              |                |             |                |                |             | 1              |                  | 0                      |
| Subtotal Paulsens                 | 213            | 5.4         | 37             | 110            | 7.3         | 26             | 323            | 6.1         | 63             |                  | (26)                   |
| ASHBURTON GOLD PROJECT            |                |             |                |                |             |                |                |             |                |                  |                        |
| Surface                           | 248            | 3.6         | 29             | 160            | 4.1         | 21             | 408            | 3.8         | 50             | 2                | -                      |
| Subtotal Ashburton                | 248            | 3.6         | 29             | 160            | 4.1         | 21             | 408            | 3.8         | 50             |                  | -                      |
| PLUTONIC GOLD PROJECT             |                |             |                |                |             |                |                |             |                |                  |                        |
| Surface                           |                |             |                | 1,565          | 2.0         | 101            | 1,565          | 2.0         | 101            | 5                | 101                    |
| Underground                       | 153            | 4.8         | 24             | 522            | 4.4         | 74             | 674            | 4.5         | 98             | 3                | (47)                   |
| Stockpiles                        | 6              | 4.2         | 1              | 496            | 0.6         | 10             | 502            | 0.6         | 10             | 3                | 10                     |
| Gold in Circuit                   |                |             | 8              |                |             |                |                |             | 8              |                  | 2                      |
| Subtotal Plutonic                 | 158            | 6.4         | 33             | 2,583          | 2.2         | 185            | 2,741          | 2.5         | 218            |                  | 65                     |
| KALGOORLIE GOLD PROJECT           |                |             |                |                |             |                |                |             |                |                  |                        |
| Kanowna                           |                |             |                |                |             |                |                |             |                |                  |                        |
| Kanowna Belle Underground         | 521            | 4.5         | 76             | 1,001          | 4.7         | 151            | 1,522          | 4.6         | 227            | 6                | 101                    |
| Stockpiles                        | 72             | 3.2         | 7              | 798            | 1           | 24             | 870            | 1.1         | 31             | 7                | 1                      |
| Gold in Circuit                   |                |             | 8              |                |             |                |                |             | 8              |                  | (4)                    |
| Subtotal Kanowna Belle            | 592            | 4.8         | 91             | 1,799          | 3.0         | 175            | 2,391          | 3.5         | 266            |                  | 98                     |
| Kundana                           |                |             |                |                |             |                |                |             |                |                  |                        |
| Underground                       | 12             | 6.2         | 2              | 1,371          | 4.7         | 205            | 1,383          | 4.7         | 208            | 8,10             | 205                    |
| Subtotal Kundana                  |                |             |                | 1,371          | 4.7         | 205            | 1,383          | 4.7         | 208            |                  | 205                    |
| East Kundana Joint Venture (EKJV) |                |             |                |                |             |                |                |             |                |                  |                        |
| Surface                           |                |             |                |                |             |                |                |             |                |                  |                        |
| Hornet (51%)                      |                |             |                | 69             | 5.8         | 13             | 69             | 5.8         | 13             | 10               | 13                     |
| Underground                       |                |             |                |                |             |                |                |             |                |                  |                        |
| Raleigh (50%)                     | 95             | 12.9        | 40             | 47             | 9.9         | 15             | 143            | 11.9        | 55             | 9,11             | 11                     |
| Pegasus-Rubicon-Hornet (51%)      | 375            | 8.7         | 105            | 1,173          | 6.7         | 251            | 1,548          | 7.2         | 356            | 9,11             | (31)                   |
| Stockpiles                        | 57             | 7.7         | 14             |                |             |                | 57             | 7.7         | 14             | 7                | 1                      |
| Subtotal EKJV                     | 527            | 9.4         | 159            | 1,289          | 6.7         | 279            | 1,816          | 7.5         | 438            |                  | (6)                    |
| Total Kalgoorlie                  | 1,120          | 7.0         | 250            | 4,459          | 4.6         | 659            | 5,591          | 5.1         | 912            |                  | 297                    |
| JUNDEE GOLD PROJECT               |                |             |                |                |             |                |                |             |                |                  |                        |
| Underground                       | 893            | 8.5         | 244            | 2,077          | 6.5         | 432            | 2,970          | 7.1         | 676            | 12               | 122                    |
| Stockpiles                        | 1,066          | 1.2         | 41             |                |             |                | 1,066          | 1.2         | 41             | 12               | 3                      |
| Gold in Circuit                   |                |             | 3              |                |             |                |                |             | 3              |                  | (0)                    |
| Subtotal Jundee                   | 1,958          | 4.6         | 288            | 2,077          | 6.5         | 432            | 4,035          | 5.5         | 720            |                  | 125                    |
| TOTAL RESERVES                    | 3,697          | 5.4         | 637            | 9,389          | 4.4         | 1,323          | 13,098         | 4.7         | 1,962          |                  | 461                    |

**Note :**

1. Mineral Reserves are reported at the following gold prices of AUD \$1,500/oz gold, except Ashburton at AUD\$1,600/oz gold
2. Tonnages include allowances for losses resulting from mining methods with tonnages rounded to the nearest 1,000 tonnes
3. Ounces are estimates of metal contained in the Mineral Reserve and do not include allowances for processing losses.
4. Numbers are 100 % NST attributable

**Competent Persons**

1. Tim McCambridge, 2. Shane McLeay, 3. Tony Malavisi, 4. Brad Valiukas, 5. Craig Man, 6. Robert Smith, 7. Darren Hurst, 8. Stasi Capsanis, 9. Bryn Jones, 10. Tristan Sommerfield, 11. Craig Newton, 12. William Stirling.

Table 2 – Consolidated Group Mineral Reserves Estimate effective 30 June 2016

Your Directors present their report on the consolidated entity consisting of Northern Star Resources Limited ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2016. Throughout the report, the consolidated entity is referred to as the Group.

## DIRECTORS

The following persons were Directors of Northern Star Resources Limited during the whole of the financial year and up to the date of this report:

Christopher K G Rowe  
William (Bill) J Beament  
John D Fitzgerald  
Peter E O'Connor

## PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Group consisted of:

- mining of gold deposits at Jundee, Kundana, Kanowna Belle, Paulsens and Plutonic operations;
- construction and development of extensions to existing gold mining operations at all locations;
- exploration at Central Tanami Project in the Northern Territory (acquired 31 July 2015); and
- exploration and development of gold deposits within Western Australia.

No significant changes in the principal activities of the Group occurred during the year ended 30 June 2016.

The entity's operations are discussed in the Review of Operations section at the front of this report.

## Dividends

Dividends paid to Members during the financial year ended 30 June 2016 were as follows:

|                                                                                                                                   | 2016<br>\$'000 | 2015<br>\$'000 |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Final ordinary dividend for the year ended 30 June 2015 of 3 cents (2014: 2.5 cents) per fully paid share paid on 2 October 2015. | 18,001         | 14,686         |
| Interim ordinary dividend for the year ended 30 June 2016 of 3 cents (2015: 2 cents) per fully paid share paid on 5 April 2016.   | 18,013         | 11,843         |
|                                                                                                                                   | <b>36,014</b>  | <b>26,529</b>  |

Since the end of the financial year, the Directors have recommended the payment of a final fully franked ordinary dividend of \$24 million (4 cents per fully paid share) to be paid on 13 October 2016 out of retained earnings at 30 June 2016.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- Completion of settlement with Tanami Gold NL under which the Company can progressively acquire a 60% joint venture interest in the Central Tanami Project. Settlement occurred on 31 July 2015 following a payment of A\$20 million by the Company to Tanami Gold NL. This comprised a cash payment of A\$11 million and the issue of 4.29 million shares in the Company which have a value of A\$9 million based on their five-day volume weighted average price prior to the ASX announcement of the deal on 26 February 2015. As a result of the payment the Company now has a 25% interest in the Central Tanami Project.
- In February 2016, the Company announced its intention to run a formal process to consider the sale of the Plutonic operations. As announced to the ASX on 15 August 2016, the Company has executed a legally-binding Sale and Purchase Agreement to sell the Plutonic operations subject to satisfaction of certain conditions as disclosed in the announcement. Plutonic operations are classified as held for sale at 30 June 2016, refer to note 15 of the financial report for details.

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

## EVENT SINCE THE END OF THE FINANCIAL YEAR

Subsequent to the period ended 30 June 2016, the Company announced:

- A final fully franked dividend of 4 cents per share to Shareholders on the record date of 28 September 2016, payable on 13 October 2016.
- The execution of a legally-binding conditional Sale and Purchase Agreement for the Plutonic gold mine. The Company intends to declare a special dividend of 3 cents per share subject to completion as outlined in the announcement to the ASX on 15 August 2016.

No other matter or circumstances has arisen since 30 June 2016 that has significantly affected 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 and subjected from time to time to Government agency audits and site inspections. No significant environmental breaches have occurred or have been notified by any Government agencies during the year ended 30 June 2016.

## INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

|                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Christopher K G Rowe</b><br>BA, MA Economics and Law<br>Independent Non-Executive Chairman<br>Appointed: 20 February 2003                        | <p>Mr Rowe has practised as a lawyer both in the United Kingdom and in Western Australia before becoming a full time consultant to the mining and oil and gas industry. He has been chairman or deputy chairman of a number of public listed mining and oil and gas related companies in Australia and North America, holding both executive and non-executive positions.</p> <p>In addition to his resource related activities, Mr Rowe acted as one of the Counsel Assisting the Royal Commission into WA Inc. and has served on the EPA of Western Australia as both a member and as Deputy Chairman.</p> <p>Mr Rowe is currently Chairman of ASX listed Target Energy Limited (appointed 1 January 2010).</p> <p>Mr Rowe was previously a director of fund manager Hawesbridge Capital Pty Ltd.</p> <p>Mr Rowe is a member of the Audit and Risk Committee and the Remuneration Committee, and Chair of the Nomination Committee.</p> <p>Fully Paid Ordinary Shares: 2,650,000</p>                                                                               |
| <b>William (Bill) J Beament</b><br>B.Eng-Mining (Hons)<br>Managing Director<br>Appointed: 20 August 2007                                            | <p>Mr Beament is a mining engineer with more than 20 years' experience in the resource sector. Previously he held several senior management positions, including General Manager of Operations for Barminto Limited with overall responsibility for 12 mine sites across Western Australia, and General Manager of the Eloise Copper Mine in Queensland. Mr Beament is the current President of Western Australian School of Mines Graduate Association representing over 3,000 graduates.</p> <p>Mr Beament is a member of the Nomination Committee.</p> <p>Fully Paid Ordinary Shares: 10,718,588</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Peter E O'Connor</b><br>MA, Economics and Political Science;<br>Barrister-at Law<br>Independent Non-Executive Director<br>Appointed: 21 May 2012 | <p>Mr O'Connor has extensive global experience in the funds management industry, both in public and private companies in developed and emerging economies. He was co-founder, director and deputy chairman of IMS Selection Management Ltd which had \$10 billion under management from 1998-2008. Following the sale of IMS to BNP Paribas in 2008, he was deputy chairman of FundQuest UK Ltd with \$10 billion under management, and FundQuest globally had \$35 billion of assets under management from 2008-2010.</p> <p>Mr O'Connor was previously a Director and Chairman of ASX listed Brazilian Metals Group Limited (May 2011 to October 2012), LSE listed Advance Developing Markets Fund (October 1998 to April 2012) and TSX listed NEO Material Technologies Inc (December 1993 to June 2012).</p> <p>Mr O'Connor is a member of the Audit and Risk, Nomination and Remuneration Committees.</p> <p>Fully Paid Ordinary Shares: 500,000</p>                                                                                                            |
| <b>John D Fitzgerald</b><br>CA, Fellow FINSIA, GAICD<br>Independent Non-Executive Director<br>Appointed: 30 November 2012                           | <p>Mr Fitzgerald has over 30 years in the resource sector as a financier, corporate advisor and Director.</p> <p>Mr Fitzgerald has previously held senior positions at NM Rothschild &amp; Sons, Investec Bank Australia, Commonwealth Bank, HSBC Precious Metals and Optimum Capital. He is a Chartered Accountant, a Fellow of the Financial Services Institute of Australasia and a graduate member of the Australian Institute of Company Directors.</p> <p>Mr Fitzgerald is Non-Executive Chairman of Carbine Resources Limited (appointed 13 April 2016) and Dakota Minerals Limited (appointed 23 December 2015), and a Non-Executive Director of Danakali Limited (appointed 19 February 2015).</p> <p>Mr Fitzgerald was previously the Chairman of Atherton Resources Limited (July 2009 to November 2015) and Integra Mining Limited (May 2011 to January 2013).</p> <p>Mr Fitzgerald is the Chair of the Audit and Risk Committee and the Remuneration Committee, and a member of the Nomination Committee.</p> <p>Fully Paid Ordinary Shares: 60,000</p> |

## COMPANY SECRETARY

### Liza Carpene

MBA, AGIA, ACIS, GAIC

Company Secretary

Appointed: 15 April 2013

Current directorships

Ms Carpene has worked in the mining industry for 20 years and has significant experience in corporate administration, human resources, IT and community relations. Most recently, Ms Carpene was Company Secretary/CFO for listed explorer Venturex Resources Limited and previously held various site and Perth based management roles with Great Central Mines, Normandy Mining, Newmont Australia, Agincourt Resources and Oxiana.

Ms Carpene is a Non-Executive Director of Alchemy Resources Limited (from 18 March 2015).

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and each Board Committee held during the year ended 30 June 2016, and the numbers of meetings attended by each Director were:

| Director         | MEETINGS OF COMMITTEES |      |          |      |              |      |            |      |
|------------------|------------------------|------|----------|------|--------------|------|------------|------|
|                  | DIRECTORS' MEETINGS    |      | AUDIT    |      | REMUNERATION |      | NOMINATION |      |
|                  | Attended               | Held | Attended | Held | Attended     | Held | Attended   | Held |
| Christopher Rowe | 12                     | 13   | 3        | 4    | 3            | 3    | 4          | 4    |
| Bill Beament     | 13                     | 13   | *        | *    | *            | *    | 4          | 4    |
| John Fitzgerald  | 13                     | 13   | 4        | 4    | 3            | 3    | 4          | 4    |
| Peter O'Connor   | 13                     | 13   | 4        | 4    | 3            | 3    | 4          | 4    |

\* Not a member of the relevant committee

## REMUNERATION REPORT

The Directors present the Northern Star Resources Limited 2016 remuneration report, outlining key aspects of the Company's remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

- Key Management Personnel (KMP) Covered in this Report
- Remuneration Governance
- Remuneration Policy and Link to Performance
- Elements of Remuneration
- Remuneration Expenses for Executive KMP
- Contractual Arrangements for Executive KMP
- Non-Executive Director Remuneration
- Additional Statutory Information

The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

### A. Key Management Personnel Covered in this Report

| Non-Executive and Executive Directors |                        | Other Key Management Personnel |                          |
|---------------------------------------|------------------------|--------------------------------|--------------------------|
| Christopher Rowe                      | Non-Executive Chairman | Liza Carpene                   | Company Secretary        |
| Peter O'Connor                        | Non-Executive Director | Stuart Tonkin                  | Chief Operating Officer  |
| John Fitzgerald                       | Non-Executive Director | Shaun Day                      | Chief Financial Officer  |
| Bill Beament                          | Managing Director      | Michael Mulrone                | Chief Geological Officer |

(see pages 16 to 17 for details about each Director)

For the purposes of this report the term "Executive" includes the Managing Director, Chief Operating Officer, Chief Financial Officer, Chief Geological Officer and Company Secretary.

### B. Remuneration Governance

#### Board Oversight

The Board is responsible for ensuring that the Group's remuneration structures are aligned with the long-term interests of the Company and its Shareholders. Accordingly, the Board has an established Remuneration Committee to assist it in making decisions in relation to KMP remuneration.

#### Remuneration Committee

The Remuneration Committee currently comprises all Independent Non-Executive Directors.

The Remuneration Committee is responsible for reviewing and recommending to the Board:

- the Company's remuneration policy and framework (including determining short term incentives (STIs) key performance indicators and long term incentives (LTIs) performance hurdles, and vesting of STIs/LTIs);
- senior executives' remuneration and incentives (including KMP and other senior management);
- Non-Executive Director individual remuneration, and the aggregate pool for approval by Shareholders (as required);

- superannuation arrangements; and
- remuneration by gender.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant industry comparative information, current market conditions, and internal and independent external information.

In order to ensure that this Committee is fully informed when making remuneration recommendations, the Committee receives reports from management, independent sources, empirical market data and may draw on services from a range of other external sources if required.

## Use of Remuneration Consultants

The Remuneration Committee consulted with external sources during the period to obtain information in relation to reviewing the Executive and Non-Executive remuneration and mix of remuneration.

During the year ended 30 June 2016 no remuneration recommendations, as defined by the Corporations Act, were provided by remuneration consultants.

## C. Remuneration Policy and Link to Performance

### Remuneration Philosophy

The performance of the Company depends upon the quality of its Directors and Executives. To succeed and endure, the Company must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Company embodies the following principles in its remuneration framework:

- provides for competitive rewards to attract and retain high calibre Executives;
- aligns the incentives of Executives with the long-term interests of Company Shareholders by linking rewards to Shareholder value; and
- establishes appropriate key performance indicators and hurdles in relation to variable Executive remuneration.

In accordance with good corporate governance practices, the structure of Non-Executive Director and Executive management remuneration is separate and distinct.

### Non-Executive Director Remuneration

The Board's objective is to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to Shareholders.

Non-Executive Directors' fees are paid within an aggregate remuneration limit which is approved by the Shareholders from time to time (currently \$1,250,000 per annum - approved 12 November 2014). Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act as at the time of a Director's retirement or termination.

The Board reviews on an annual basis the manner in which it apportions the aggregate remuneration amongst Non-Executive Directors at its discretion, and the amount of aggregate remuneration sought to be approved by Shareholders. When undertaking the annual review process, the Board considers the amount of Non-Executive Director fees being paid by comparable companies within the S&P ASX200 with similar market capitalisation (and now the S&P ASX100), plus responsibilities and experience of the Non-Executive Directors.

The Board has not increased its current individual Non-Executive Directors' Fees since 1 July 2015, with the exception of the introduction of a Chair Fee for the Remuneration Committee. Refer to Section G. All fees payable to Non-Executive Directors remain within the approved aggregate remuneration limit of \$1,250,000 per annum.

### Executive Director and Senior Executive Remuneration

The Board's objective is to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- motivate and reward Executives for Company and individual performance;
- ensure continued availability of experienced and effective management; and
- ensure total remuneration is competitive by market standards.

In reviewing the level and make-up of Executive total remuneration, the Remuneration Committee ensures remuneration reflects the market salary for a position and individual of comparable responsibility and experience. Remuneration is compared with the external market by reviewing industry salary surveys, sourcing empirical market data and other evaluation methods during the recruitment process. Target positioning of total remuneration against market is between the 50th and 75th percentile. If required, the Remuneration Committee may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable Executive roles.

Total remuneration for the 2016 financial year consisted of a mix of:

- fixed remuneration; and
- "at risk" variable remuneration, comprising STIs and LTIs.

| REMUNERATION STRUCTURE FOR 1 JULY 2015 TO 30 JUNE 2016 (FY2016) |                                                                        |                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Component                                                       | Consist of                                                             | Objective                                                                                                                                                                                                                                                                                                              | Links to Performance FY2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Total Fixed Remuneration (TFR)                                  | Base salary, superannuation and other non-cash benefits                | <ul style="list-style-type: none"> <li>To provide a base level of remuneration which is both appropriate for the position and competitive in the market</li> </ul>                                                                                                                                                     | Annual performance of Company and individual.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Short Term Incentives (STI)                                     | Cash payments targeted at a percentage of TFR                          | <ul style="list-style-type: none"> <li>To provide an "at risk" incentive to reward Executives in a manner which aligns this element of remuneration with the creation of Shareholder wealth through the achievement of annual performance measures</li> <li>To provide a market competitive STI opportunity</li> </ul> | Combination of specific Company Key Performance Indicators (KPIs) (65%) and individual performance (35%).<br>Combination of specific Company KPIs (65%): <ul style="list-style-type: none"> <li>KPI 1 (20%) - Financial outcome: Achieve FY2016 budget Net Profit After Tax (NPAT) as approved by the Board;</li> <li>KPI 2 (15%) - Production: Production within stated guidance 535-570Koz;</li> <li>KPI 3 (15%) - Costs: AISC within stated guidance A\$1,050 to A\$1,100; and</li> <li>KPI 4 (15%) - Social Licence: 5% reduction in safety measures, no significant environmental or community incidents, increase in diversity targets by 5% from 2015 numbers.</li> </ul> Individual KPI and personal performance (35%) at least satisfactory. |
| Long Term Incentives (LTI)                                      | Performance shares/loans or share options based on a percentage of TFR | <ul style="list-style-type: none"> <li>To provide an "at risk" grant to incentivise and motivate Executives to pursue the long term growth and success of the Company</li> <li>To provide a market competitive LTI opportunity</li> <li>To support retention of Executives and key personnel</li> </ul>                | Vesting after year 3 on achievement of performance hurdles measured at 30 June 2018: <ul style="list-style-type: none"> <li>Relative Total Shareholder Return (40%): target ≥50% of peers (ASX: EVN, IGO, NCM, OGC, RRL, RSG, SAR, SBM);</li> <li>Total Shareholder Return (40%): target ≥15% compound annual growth rate; and</li> <li>Resource / Reserve replacement (20%): maintaining at least 2 years of Reserves and 6 years of Resources based on the annualised budgeted production.</li> </ul> Board reserves the right to vest LTIs at its discretion.                                                                                                                                                                                      |

Following a review by the Remuneration Committee subsequent to the end of the 2016 financial year, the Board resolved to set the STI KPIs and the LTI hurdles as follows for the 2017 financial year:

| REMUNERATION STRUCTURE FOR 1 JULY 2016 TO 30 JUNE 2017 (FY2017) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Component                                                       | Links to FY2017 Performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Total Fixed Remuneration (TFR)                                  | Salaries awarded effective 1 July 2016 used as base for determining value component for FY2017 STIs and LTIs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Short-term Incentives (STI)                                     | Combination of specific Company Key Performance Indicators (KPIs) (65%): <ul style="list-style-type: none"> <li>KPI 1 (10%) - Safety: Target 25% reduction in FY2016 LTIFR (5.1) and TRIFR (20.4);</li> <li>KPI 2 (15%) - Financial outcome: Achieve FY2017 Budget NPAT as approved by the Board<sup>1</sup>;</li> <li>KPI 3 (15%) - Production: Gold sold within stated guidance 485 – 515Koz</li> <li>KPI 4 (15%) - Costs: AISC within stated guidance A\$1,000 to A\$1,050; and</li> <li>KPI 5 (10%) - Social Licence: No significant environmental or community incidents, and an increase in diversity numbers by ≥5%.</li> </ul> Individual KPI and personal performance (35%) at least satisfactory. |
| Long Term Incentives (LTI)                                      | At the time of preparation of this report, allocation of the LTIs for FY2017 had not been determined by the Board.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

## D. Elements of Remuneration

### (i) Fixed Annual Remuneration

Individual Executives' base salaries for the 2016 financial year were:

| Name            | Position                 | Base Salary FY2015 | Base Salary FY2016 | Base Salary Increase for FY2016 |
|-----------------|--------------------------|--------------------|--------------------|---------------------------------|
| Bill Beament    | Managing Director        | 725,000            | 725,000            | 0%                              |
| Liza Carpine    | Company Secretary        | 300,000            | 300,000            | 0%                              |
| Stuart Tonkin   | Chief Operating Officer  | 475,000            | 475,000            | 0%                              |
| Shaun Day       | Chief Financial Officer  | 375,000            | 375,000            | 0%                              |
| Michael Mulrone | Chief Geological Officer | 350,000            | 350,000            | 0%                              |

Following a review by the Remuneration Committee subsequent to the end of the 2016 financial year, the Board determined to maintain base salary levels for Executives in line with FY2016 taking into consideration general market conditions at that time. Salaries have remained static since 1 July 2014.

The following table reflects remuneration components available to Executives effective 1 July 2016:

| Name            | Position                 | Base Salary (FY2017) | Superannuation (capped)* | Total Fixed Remuneration | Potential STI %* | Potential LTI %* | Insurances                  |
|-----------------|--------------------------|----------------------|--------------------------|--------------------------|------------------|------------------|-----------------------------|
| Bill Beament    | Managing Director        | 725,000              | 30,000                   | 755,000                  | 35%              | 65%              | Health & Salary Continuance |
| Liza Carpine    | Company Secretary        | 300,000              | 30,000                   | 330,000                  | 25%              | 35%              | Health & Salary Continuance |
| Stuart Tonkin   | Chief Operating Officer  | 475,000              | 30,000                   | 505,000                  | 35%              | 65%              | Health & Salary Continuance |
| Shaun Day       | Chief Financial Officer  | 375,000              | 30,000                   | 405,000                  | 35%              | 65%              | Health & Salary Continuance |
| Michael Mulrone | Chief Geological Officer | 350,000              | 30,000                   | 380,000                  | 35%              | 65%              | Health & Salary Continuance |

\* Potential STIs and LTIs are based on a % of Total Fixed Remuneration or TFR comprising base salary and superannuation only.

<sup>1</sup> Target NPAT performance requirements have not been disclosed due to commercial sensitivity.

## (ii) Short Term Incentives (STIs)

The following table indicates performance against FY2016 KPIs (corporate and individual):

| Key Performance Indicators           | Weighting | Measure                                                                                                                                                                                                                                            | Achievement                                                                                                                                           |
|--------------------------------------|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| KPI 1: Financial Outcome             | 20%       | Achieve FY2016 Budget NPAT (\$90M) as approved by the Board                                                                                                                                                                                        | Achieved 100%                                                                                                                                         |
| KPI 2: Stretch Production            | 15%       | Production within stated guidance 535-570koz                                                                                                                                                                                                       | Achieved 100%                                                                                                                                         |
| KPI 3: Costs                         | 15%       | AISC within stated guidance A\$1,050 to A\$1,100                                                                                                                                                                                                   | Achieved 100%                                                                                                                                         |
| KPI 4: Social Licence                | 15%       | <ul style="list-style-type: none"> <li>Reduction in safety measures;</li> <li>No significant environmental incidents;</li> <li>No significant community incidents; and</li> <li>Increase in diversity targets by ≥5% from 2015 numbers.</li> </ul> | <ul style="list-style-type: none"> <li>Not achieved 0%</li> <li>Achieved 100%</li> <li>Achieved 100%</li> <li>Achieved 100%</li> </ul> Awarded 11.25% |
| Individual KPIs/Personal Performance | 35%       | As determined for each individual Executive                                                                                                                                                                                                        | Achieved 68%<br>Awarded 23.75%                                                                                                                        |

As a result, STI payments for FY2016 to Executives were recommended as detailed in the following table:

| Name             | Position                 | FY2015<br>Achieved STI<br>% <sup>1</sup> | FY2015<br>Paid<br>\$ <sup>2</sup> | FY2016<br>Achieved STI<br>% <sup>1</sup> | FY2016<br>Declared<br>\$ <sup>3</sup> |
|------------------|--------------------------|------------------------------------------|-----------------------------------|------------------------------------------|---------------------------------------|
| Bill Beament     | Managing Director        | 74%                                      | 196,179                           | 85%                                      | 224,613                               |
| Liza Carpane     | Company Secretary        | 74%                                      | 60,722                            | 85%                                      | 70,125                                |
| Stuart Tonkin    | Chief Operating Officer  | 74%                                      | 130,786                           | 85%                                      | 150,238                               |
| Shaun Day        | Chief Financial Officer  | 74%                                      | 74,530                            | 85%                                      | 120,488                               |
| Michael Mulronev | Chief Geological Officer | N/A                                      | N/A                               | 85%                                      | 113,050                               |

<sup>1</sup> % of STI achieved.

<sup>2</sup> STI paid in October 2015.

<sup>3</sup> STI to be paid in August 2016.

## (iii) Long Term Incentives (LTIs)

During the period, 2,810,953 Performance Shares were issued as FY2016 LTIs to five KMP Executives and eight senior management personnel in accordance with the Performance Share Plan approved by Shareholders at the Annual General Meeting in November 2013. This Plan provides the Board with the discretion to grant Performance Shares on an annual basis to certain Executives and senior management that will vest subject to the satisfaction of performance hurdles, as determined by the Board. Shareholder approval was obtained at the 2013 Annual General Meeting to issue LTIs in the form of Performance Shares to the Managing Director without seeking further Shareholder approval to a maximum of 3,000,000 shares. In relation to the FY2016 period, 597,836 Performance Shares were issued to the Managing Director under that approval.

The LTI arrangements have been designed to motivate and incentivise Executives to drive the Company's long term performance to deliver greater returns to Shareholders. The hurdles defined for the 2016 issue will be measured at the end of year three (30 June 2018) against (1) a Relative Total Shareholder Return against a group of peers, (2) Total Shareholder Return targeting compound annual growth of 15%, and (3) Resource/Reserve replacement for the Group. In order to achieve vesting of LTIs, the set hurdles must be achieved as at 30 June 2018, along with continued employment and satisfactory performance reviews in all years.

The Performance Share Plan also provides an appropriate framework to incentivise other key Company employees who are not at the Executive level as may be determined from time to time. In addition, the Company may also issue unlisted employee share options to incentivise other key Company employees. For the sake of simplicity, the comments here focus on incentivising of Executives, but the framework will apply in the same manner for select non-Executives, with differing percentage allocation levels.

Accordingly, under the Performance Share Plan, KMP Executives were granted Performance Shares (outlined below), with vesting of any Performance Shares subject to the satisfaction of performance hurdles.

Each Performance Share represents an actual legal interest in a share in the Company on day one of the vesting period, with the Performance Share being forfeited for no consideration should the vesting condition not be met. Under the terms of the Performance Share Plan, the Performance Shares are issued to the Executive at their current market value, with the Executive required to pay this market value amount in order to take up the Performance Share offer. The Company will provide the Executive with a loan to fund the acquisition price. The loan is interest-free and is secured against the Performance Shares in the form of a holding lock preventing all dealing in the Performance Shares. The loan is limited recourse, such that if the Performance Shares are forfeited, this is treated as full repayment against the loan balance. While a loan balance remains outstanding, any dividends paid on the Performance Shares will be automatically applied towards the repayment of the loan.

In making the loan in respect of newly issued Performance Shares, there is no cash cost to the Company, as the Performance Shares are newly issued, with the loan essentially being an obligation to repay the amount due when the Performance Shares are sold or forfeited. This also means that no funds are raised upon the issue of the Performance Shares.

In substance, the Performance Share Plan operates in the same way as an option plan, therefore provided the size of the LTI award is reasonable and there are appropriate vesting conditions, it should be viewed in the same light as an option plan. The following Performance Shares were issued to KMP Executives in relation to the 2016 financial year:

| Name             | Performance Shares at 30 June 2015 | Remaining Loan at 30 June 2015 | Performance Shares Issued FY2016 | Loan on Performance Shares Issued FY2016* | Total Performance Shares at 30 June 2016 | Remaining Loan at 30 June 2016 |
|------------------|------------------------------------|--------------------------------|----------------------------------|-------------------------------------------|------------------------------------------|--------------------------------|
| Bill Beament     | 2,354,167                          | 2,278,177                      | 597,836                          | 1,304,359                                 | 2,952,003                                | 3,453,491                      |
| Liza Carpine     | 640,972                            | 594,822                        | 140,703                          | 306,986                                   | 781,675                                  | 867,637                        |
| Stuart Tonkin    | 1,402,778                          | 1,403,789                      | 399,877                          | 872,452                                   | 1,802,655                                | 2,197,439                      |
| Shaun Day        | 722,222                            | 847,043                        | 320,694                          | 699,690                                   | 1,042,916                                | 1,501,143                      |
| Michael Mulroney | N/A                                | N/A                            | 300,898                          | 656,499                                   | 300,898                                  | 643,346                        |

\* Shares issued at 5 Day VWAP of \$2.1818 on 9 July 2015, and loan values have been reduced due to the payment of dividends up to 30 June 2016.

In addition to the above Performance Shares, 1,319,279 unlisted employee share options were issued to thirty-five senior staff as FY2016 LTIs.

At the time of publication of this report, allocation of LTIs to Executive KMP for FY2017 was still under review by the Board.

LTIs issued to Executive KMP in FY2014 became eligible for measurement as at 30 June 2016. All FY2014 hurdles were achieved by the Company and the Board resolved that 100% allocation for each holder will be eligible for vesting post release of the 2016 Annual Report.

| LTIs FY2014 – PERIOD 1 JULY 2013 TO 30 JUNE 2016                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                    |                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| Hurdles                                                                                                                                                                                                                                                                                                                                                                                                                                         | Criteria*                                                                                                                                                          | Results as at 30 June 2016                                                                              |
| Hurdle 1                                                                                                                                                                                                                                                                                                                                                                                                                                        | Relative Total Shareholder Return (40%): target ≥50% of peers (ASX: RMS, SLR, SAR, RRL, RSG, EVN, NGF, KCN, OGC, SBM)†;                                            | Achieved 100%<br>NST Ranked >75 <sup>th</sup> percentile or second in Peer Group after 3 years.         |
| Hurdle 2                                                                                                                                                                                                                                                                                                                                                                                                                                        | Total Shareholder Return (40%): target ≥15% compound annual growth rate (CAGR)                                                                                     | Achieved 100%<br>Exceeded 15% CAGR - 772% increase over 3 years                                         |
| Hurdle 3                                                                                                                                                                                                                                                                                                                                                                                                                                        | Resource / Reserve replacement (20%): maintaining at least 2 years of Reserves and 6 years of Resources based on the annualised budgeted production <sup>‡</sup> . | Achieved 100%<br>Reserves and Resources Update effective 30 June 2016 <sup>§</sup> exceeds requirement. |
| <p>* LTI Hurdles as set and reported in 2014 Annual Report.<br/> † Peer Group Notes: NGF was delisted and excluded. KCN was suspended in May 2016.<br/> ‡ Board resolved to change the Resource/Reserve Replacement Hurdle to reflect 2 years Reserves and 6 years Resources for the Group, rather than Paulsens subsequent to the acquisitions of Plutonic, Kanowna Belle and Kundana in 2014.<br/> § Released to the ASX on 28 July 2016.</p> |                                                                                                                                                                    |                                                                                                         |

Refer to table in H(iv) Long Term Incentive Shares Issued to KMP for vesting amounts.

## E. Remuneration Expenses for Executive KMP

The following table shows details of the remuneration expense recognised for the Group's Executive KMP for the current and previous financial year measured in accordance with the requirements of the accounting standards.

|                                  |      | Fixed Remuneration |                               |                          | Variable Remuneration |                    |         | Total     | Performance Related Remuneration |
|----------------------------------|------|--------------------|-------------------------------|--------------------------|-----------------------|--------------------|---------|-----------|----------------------------------|
|                                  |      | Salary & Fees      | Other Benefits <sup>(1)</sup> | Post-employment Benefits | STI Cash Payment      | Performance Shares | Options |           |                                  |
| Executive                        | Year | \$                 | \$                            | \$                       | \$                    | \$                 | \$      | \$        | %                                |
| Executive Directors              |      |                    |                               |                          |                       |                    |         |           |                                  |
| Bill Beament                     | 2016 | 725,000            | 8,465                         | 30,000                   | 196,179               | 365,335            | -       | 1,324,979 | 42%                              |
|                                  | 2015 | 725,000            | 3,913                         | 25,000                   | 208,495               | 231,599            | -       | 1,194,007 | 37%                              |
| Other KMP                        |      |                    |                               |                          |                       |                    |         |           |                                  |
| Liza Carpine                     | 2016 | 300,000            | 12,496                        | 30,000                   | 60,722                | 91,592             |         | 494,810   | 31%                              |
|                                  | 2015 | 300,000            | 2,120                         | 25,000                   | 50,113                | 60,117             | 32,624  | 469,974   | 30%                              |
| Stuart Tonkin                    | 2016 | 475,000            | 5,027                         | 30,000                   | 130,786               | 232,802            |         | 873,615   | 42%                              |
|                                  | 2015 | 475,000            | 1,267                         | 25,000                   | 75,000                | 143,349            | -       | 719,616   | 30%                              |
| Shaun Day <sup>1</sup>           | 2016 | 375,000            | 13,574                        | 30,000                   | 74,530                | 159,899            |         | 653,003   | 36%                              |
|                                  | 2015 | 269,153            | 3,772                         | 17,958                   | -                     | 88,159             | -       | 379,042   | 23%                              |
| Ray Parry <sup>2</sup>           | 2016 | -                  | -                             | -                        | -                     | -                  | -       | -         | -                                |
|                                  | 2015 | 74,249             | 277,093                       | 6,521                    | -                     | 28,178             | -       | 386,041   | 7%                               |
| Michael Mulroney <sup>3</sup>    | 2016 | 345,976            | 6,692                         | 30,000                   | -                     | 67,311             |         | 449,979   | 15%                              |
|                                  | 2015 | 29,167             | 1,267                         | 2,083                    | -                     | -                  | -       | 32,517    | 0%                               |
|                                  |      |                    |                               |                          |                       |                    |         |           |                                  |
| Total Exec Directors & Other KMP | 2016 | 2,220,976          | 46,254                        | 150,000                  | 462,217               | 916,939            | -       | 3,796,386 | 36%                              |
|                                  | 2015 | 1,872,569          | 289,432                       | 101,562                  | 333,608               | 551,402            | 32,624  | 3,181,197 | 29%                              |
| Total NED                        | 2016 | 469,364            | -                             | 13,240                   | -                     | -                  | -       | 482,604   | 0%                               |
| Remuneration                     | 2015 | 373,721            | -                             | 11,279                   | -                     | -                  | -       | 385,000   | 0%                               |
| Total KMP Remuneration Expenses  | 2016 | 2,690,340          | 46,254                        | 163,240                  | 462,217               | 916,939            | -       | 4,278,990 | 32%                              |
|                                  | 2015 | 2,246,290          | 289,432                       | 112,841                  | 333,608               | 551,462            | 32,624  | 3,566,197 | 26%                              |

<sup>(1)</sup> Other Benefits include: telephone allowance, salary continuance insurance, health insurance and parking.

<sup>1</sup> Appointed 13 October 2014

<sup>2</sup> Ceased employment 3 October 2014. Prior year other benefits include \$277,093 in termination payment

<sup>3</sup> Appointed 2 June 2015

## F. Contractual Arrangements with Executive KMP

| Executive                  | Term of Agreement and Notice Period | Base Salary Including Superannuation (\$) | Termination Payments |
|----------------------------|-------------------------------------|-------------------------------------------|----------------------|
| <b>Executive Directors</b> |                                     |                                           |                      |
| Bill Beament               | Open ended - 3 Months               | 755,000                                   | 12 Months            |
| <b>Other KMP</b>           |                                     |                                           |                      |
| Liza Carpine               | Open ended - 1 Month                | 330,000                                   | None                 |
| Stuart Tonkin              | Open ended - 1 Month                | 505,000                                   | None                 |
| Shaun Day                  | Open ended - 1 Month                | 405,000                                   | None                 |
| Michael Mulroney           | Open ended - 3 Months               | 380,000                                   | None                 |

## G. Non-Executive Director Remuneration

For the 2016 financial year, the Non-Executive Directors were paid base fees associated with their duties as Directors and members of Board Committees.

The Board has not increased the individual Non-Executive Directors Fees and Committee Member Fees since 1 July 2015, with the exception of the introduction of a Chair Fee for the Remuneration Committee. Current Non-Executive Director Fees total \$485,000 per annum, and remains well within the current Shareholder approved aggregate limit of \$1,250,000.

From 1 July 2015 to  
30 June 2016

## Base fees

|                               |         |
|-------------------------------|---------|
| Chair                         | 175,000 |
| Other Non-Executive Directors | 115,000 |

## Additional fees

|                                   |        |
|-----------------------------------|--------|
| Audit and Risk Committee - Chair  | 25,000 |
| Audit and Risk Committee - Member | 15,000 |
| Remuneration Committee - Chair*   | 15,000 |
| Remuneration Committee - Member   | 5,000  |

\*Effective from 19 October 2015

Total remuneration paid or payable to Non-Executive Directors for the period ended 30 June 2016 was:

| TOTAL NON-EXECUTIVE DIRECTOR REMUNERATION FOR FY2016 |      |          |                          |                      |                        |                |         |
|------------------------------------------------------|------|----------|--------------------------|----------------------|------------------------|----------------|---------|
|                                                      |      | Base Fee | Audit and Risk Committee | Nomination Committee | Remuneration Committee | Superannuation | Total   |
|                                                      | Year | \$       | \$                       | \$                   | \$                     | \$             | %       |
| <b>Directors</b>                                     |      |          |                          |                      |                        |                |         |
| Christopher Rowe                                     | 2016 | 175,000  | 15,000                   | -                    | 5,000                  | -              | 195,000 |
|                                                      | 2015 | 150,000  | -                        | -                    | -                      | -              | 150,000 |
| Peter O'Connor                                       | 2016 | 115,000  | 15,000                   | -                    | 5,000                  | -              | 135,000 |
|                                                      | 2015 | 105,000  | -                        | -                    | -                      | -              | 105,000 |
| John Fitzgerald                                      | 2016 | 101,760  | 25,000                   | -                    | 12,604                 | 13,240         | 152,604 |
|                                                      | 2015 | 93,721   | 25,000                   | -                    | -                      | 11,279         | 130,000 |
| <b>Total Non-Executive Director Remuneration</b>     | 2016 | 391,760  | 55,000                   | -                    | 22,604                 | 13,240         | 482,604 |
|                                                      | 2015 | 348,721  | 25,000                   | -                    | -                      | 11,279         | 385,000 |

## H. Additional Statutory Information

### (i) Terms and Conditions of the Share-based Payment Arrangements

#### Options

The terms and conditions of each grant of options affecting KMP remuneration in the current or a future report period are as follows:

| Grant Date | Vesting Date | Expiry Date | Exercise Price | Value Per Option at Grant Date | Performance Achieved       | % Vested |
|------------|--------------|-------------|----------------|--------------------------------|----------------------------|----------|
| 15-Apr-13  | 15-Apr-15    | 15-Apr-16   | \$1.05         | \$0.28                         | Exercised 23 February 2016 | 100%     |

Options granted under the plan carry no dividend or voting rights.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Shares provided on exercise of KMP remuneration options in FY2016:

| Name                          | Date of exercise of options | Number of ordinary shares issued on exercise of options during the year | Value at Exercise Date |
|-------------------------------|-----------------------------|-------------------------------------------------------------------------|------------------------|
| <b>Other KMP of the Group</b> |                             |                                                                         |                        |
| Liza Carpene                  | 23 February 2016            | 179,732                                                                 | \$3.74                 |

The above conversion did not result in the Company receiving any funds as the options were converted through the Company's Employee Option Plan's cashless conversion mechanism which results in a reduced amount of shares being issued. No amounts are unpaid on any shares issued through the exercise of options.

### (ii) Reconciliation of Options, Performance Shares and Ordinary Shares held by KMP

The tables on the following pages show the number of:

- (a) options over ordinary shares in the Company; and
- (b) ordinary shares in the Company

that were held during the financial year by KMP of the Group, including their close family members and entities related to them.

*(a) Option Holdings*

| 2016<br>Name | Balance at start of the year | Granted as Compensation | Exercised | Other Changes | Balance at end of the year | Vested and exercisable | Unvested |
|--------------|------------------------------|-------------------------|-----------|---------------|----------------------------|------------------------|----------|
| Liza Carpene | 250,000                      | -                       | (250,000) | -             | -                          | -                      | -        |

| 2015<br>Name | Balance at start of the year | Granted as Compensation | Exercised | Other Changes | Balance at end of the year | Vested and exercisable | Unvested |
|--------------|------------------------------|-------------------------|-----------|---------------|----------------------------|------------------------|----------|
| Liza Carpene | 500,000                      | -                       | (250,000) | -             | 250,000                    | 250,000                | -        |

There were no options granted as equity compensation benefits to KMP during the year ended 30 June 2016.

*(b) Ordinary Shareholdings*

| 2016<br>Name                                                                                                                                                     | Balance at start of the year | Received during the year on the exercise of options | Issuance of performance shares | Other changes during the year | Balance at end of the year |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------------------------------|--------------------------------|-------------------------------|----------------------------|
| <b>Directors</b>                                                                                                                                                 |                              |                                                     |                                |                               |                            |
| Christopher Rowe                                                                                                                                                 | 2,900,000                    | -                                                   | -                              | (250,000)                     | 2,650,000                  |
| Bill Beament*                                                                                                                                                    | 15,228,504                   | -                                                   | 597,836                        | (5,107,652)                   | 10,718,688                 |
| John Fitzgerald                                                                                                                                                  | 60,000                       | -                                                   | -                              | -                             | 60,000                     |
| Peter O'Connor                                                                                                                                                   | 600,000                      | -                                                   | -                              | (100,000)                     | 500,000                    |
| <b>Key Management Personnel</b>                                                                                                                                  |                              |                                                     |                                |                               |                            |
| Stuart Tonkin*                                                                                                                                                   | 1,534,406                    | -                                                   | 399,877                        | (131,628)                     | 1,802,655                  |
| Liza Carpene*                                                                                                                                                    | 805,136                      | 179,732                                             | 140,703                        | -                             | 1,125,571                  |
| Shaun Day*                                                                                                                                                       | 722,222                      | -                                                   | 320,694                        | -                             | 1,042,916                  |
| Michael Mulroney                                                                                                                                                 | -                            | -                                                   | 300,898                        | -                             | 300,898                    |
| * Includes unvested FY2014, FY2015 & FY2016 Performance Shares which are still subject to performance hurdles as at 30 June 2016, 30 June 2017 and 30 June 2018. |                              |                                                     |                                |                               |                            |

| 2015<br>Name                                                                                                                                 | Balance at start of the year | Received during the year on the exercise of options | Issuance of performance shares | Other changes during the year | Balance at end of the year |
|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------------------------------|--------------------------------|-------------------------------|----------------------------|
| <b>Directors</b>                                                                                                                             |                              |                                                     |                                |                               |                            |
| Christopher Rowe                                                                                                                             | 4,412,590                    | -                                                   | -                              | (1,512,590)                   | 2,900,000                  |
| Bill Beament*                                                                                                                                | 14,109,252                   | -                                                   | 1,354,167                      | (234,915)                     | 15,228,504                 |
| John Fitzgerald                                                                                                                              | 60,000                       | -                                                   | -                              | -                             | 60,000                     |
| Peter O'Connor                                                                                                                               | 500,000                      | -                                                   | -                              | 100,000                       | 600,000                    |
| <b>Key Management Personnel</b>                                                                                                              |                              |                                                     |                                |                               |                            |
| Raymond Parry* (as at 3 Oct 2014)                                                                                                            | 996,479                      | -                                                   | -                              | -                             | 996,479                    |
| Stuart Tonkin*                                                                                                                               | 631,628                      | -                                                   | 902,778                        | -                             | 1,534,406                  |
| Liza Carpene*                                                                                                                                | 336,628                      | 152,536                                             | 315,972                        | -                             | 805,136                    |
| Shaun Day*                                                                                                                                   | -                            | -                                                   | 722,222                        | -                             | 722,222                    |
| * Includes unvested FY2014 and FY2015 Performance Shares which are still subject to performance hurdles as at 30 June 2016 and 30 June 2017. |                              |                                                     |                                |                               |                            |

*(iii) Other transactions with Key Management Personnel*

The Company has in place policies and procedures which govern transactions involving KMP or related parties, and these policies and procedures restrict the involvement of the KMP or related party in the negotiation, awarding or direct management of the resultant contract. The following services were provided on market competitive rates.

John Fitzgerald is a Director, and:

- (a) is a board member and has a beneficial interest in a shareholding in Optimum Capital Pty Ltd. During the year, a revenue amount of \$10,000 was paid to Optimum Capital Pty Ltd for consulting services provided at normal commercial rates (2015: \$10,000).

Bill Beament:

- (a) has a beneficial minority interest in a shareholding of Australian Underground Drilling Pty Ltd. During the year a revenue amount of \$14,940,849 was paid to this business for drilling services at normal commercial rates (2015: \$6,952,574); and
- (b) has a beneficial minority interest in a shareholding in Premium Mining Personnel Pty Ltd. During the year, a revenue amount of \$4,488,261 was paid to this business for supplying specialist mining labour at commercial rates (2015: \$3,979,135).

## Amounts recognised as assets and liabilities

At the end of the reporting period the following aggregate amounts were recognised in relation to the above transactions:

|                                       | 30 June 2016     | 30 June 2015   |
|---------------------------------------|------------------|----------------|
|                                       | \$               | \$             |
| Current liabilities (amounts payable) | 2,072,390        | 726,589        |
|                                       | <b>2,072,390</b> | <b>726,589</b> |

## (iv) Long Term Incentive Shares Issued to KMP

The table below includes details of LTI Shares issued to KMP in FY2016:

| 30 June 2016    | Grant Date  | Hurdle Measurement Date | Issue Price | Balance at the start of the year | Granted during the year | Balance at the end of the year | Shares available for vesting at year end* |
|-----------------|-------------|-------------------------|-------------|----------------------------------|-------------------------|--------------------------------|-------------------------------------------|
| Bill Beament    | 9 July 2015 | 30 June 2018            | \$2.1818    | 2,354,167                        | 597,836                 | 2,952,003                      | 1,000,000                                 |
| Liza Carpena    | 9 July 2015 | 30 June 2018            | \$2.1818    | 640,972                          | 140,703                 | 781,675                        | 325,000                                   |
| Stuart Tonkin   | 9 July 2015 | 30 June 2018            | \$2.1818    | 1,402,778                        | 399,877                 | 1,802,655                      | 500,000                                   |
| Shaun Day       | 9 July 2015 | 30 June 2018            | \$2.1818    | 722,222                          | 320,694                 | 1,042,916                      | -                                         |
| Michael Mulrone | 9 July 2015 | 30 June 2018            | \$2.1818    | -                                | 300,898                 | 300,898                        | -                                         |

\* LTIs issued to Executive KMP in FY2014 became eligible for measurement as at 30 June 2016. All FY2014 hurdles were achieved by the Company and 100% allocation will be eligible for vesting post release of the 2016 Annual Report.

On 9 July 2015, 2,810,953 FY2016 performance shares were issued to KMP and other personnel of the Company at an issue price of \$2.1818. Corresponding non-recourse loans totalling \$6,132,937 were entered into with the KMP and other personnel in accordance with Company's LTI Share Plan as part of their remuneration. As at 30 June 2016, FY2016 non-recourse loans had reduced to \$6,010,058.

In FY2015, 4,827,059 FY2015 performance shares were issued to KMP and other personnel of the Company at an issue price of \$1.1874 per share, with a further 212,917 shares issued on 30 March 2015 to other personnel of the Company at an issue price of \$2.4549 per share. Corresponding limited recourse loans totalling \$6,254,338 were entered into with KMP and other personnel in accordance with the Company's LTI Share Plan as part of their remuneration. As at 30 June 2016, FY2015 non-recourse loans had reduced to \$5,960,580.

In FY2014, 4,090,000 FY2014 performance shares were issued to KMP and other personnel of the Company at an issue price of \$0.7304 per share. Corresponding non-recourse loans totalling \$2,987,336 were entered into in accordance with the Company's LTI Share Plan as part of their remuneration. During FY2015, 125,000 FY2014 performance shares were cancelled, reducing the total FY2014 performance shares on issue to 3,965,000. As at 30 June 2016, FY2014 non-recourse loans had reduced to \$2,562,410.

Summary of key terms for the respective financial year issues are noted below:

| Loan Terms:           | FY2014                                                                                                                                                                                 | FY2015                                                                                                                                                                                 | FY2016                                                                                                                                                                                 |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Loan Amount        | \$0.7304 per share                                                                                                                                                                     | \$1.1874 per share                                                                                                                                                                     | \$2.1818 per share                                                                                                                                                                     |
| b. Interest rate      | 0%                                                                                                                                                                                     | 0%                                                                                                                                                                                     | 0%                                                                                                                                                                                     |
| c. Term of Loan       | 20 November 2013 to 30 June 2016                                                                                                                                                       | 9 October 2014 to 30 June 2017                                                                                                                                                         | 9 July 2015 to 30 June 2018                                                                                                                                                            |
| d. Vesting Conditions | (1) Achievement of Performance Hurdles Measured at End of Year 3, being 30 June 2016<br>(2) Continued employment<br>(3) Personal Performance reviews must be satisfactory in all years | (1) Achievement of Performance Hurdles Measured at End of Year 3, being 30 June 2017<br>(2) Continued employment<br>(3) Personal Performance reviews must be satisfactory in all years | (1) Achievement of Performance Hurdles Measured at End of Year 3, being 30 June 2018<br>(2) Continued employment<br>(3) Personal performance reviews must be satisfactory in all years |

The loans are limited recourse and are secured against the performance shares held by the relevant participants.

The Board may, at its discretion, agree to forgive a loan made to a participant. The fair value at grant date is independently determined using a Monte Carlo simulation model (market based vesting conditions) and a Black Scholes Model (non-market vesting conditions) that takes into account the exercise price, the term of the performance share, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free rate for the term of the performance share and the correlations and volatilities of the peer group companies.

The model inputs for performances shares granted during the year ended 30 June 2016 are noted below:

| Model Inputs                                    | 9 July 2015  |
|-------------------------------------------------|--------------|
| (a) Exercise price                              | \$2.1818     |
| (b) Grant date                                  | 9 July 2015  |
| (c) Expiry date                                 | 30 June 2018 |
| (d) Share price at grant date                   | \$2.21       |
| (e) Expected volatility of the company's shares | 60%          |
| (f) Expected dividend yield                     | 2.26%        |
| (g) Risk-free interest rate                     | 1.87%        |

The expected price volatility is based on the historic volatility (based on the remaining life of the performance share) adjusted for any expected changes to future volatility due to publicly available information.

The value of the instruments granted have been expensed on a proportionate basis for each financial year from grant date to vesting date. The proportion of the value of the instrument, which were expensed and accounted for in the share option reserve was for the year ended 30 June 2016 was \$1,521,253 (2015: \$896,587).

## SHARES UNDER OPTION

### (a) Unissued Ordinary Shares

Unissued ordinary shares of Northern Star Resources Limited under option at the date of this report are as follows:

| Date Options Granted | Expiry Date  | Exercise Price | Number Under Option |
|----------------------|--------------|----------------|---------------------|
| 14 November 2014     | 31 July 2017 | \$1.2804       | 2,338,132           |
| 9 July 2015          | 31 July 2018 | \$2.1818       | 1,157,015           |
|                      |              |                | <b>3,495,147</b>    |

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

## CORPORATE GOVERNANCE STATEMENT

Northern Star Resources Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Northern Star Resources Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2016 Corporate Governance Statement is dated as at 18 August 2016 and reflects the corporate governance practices in place throughout the 2016 financial year. The 2016 corporate governance statement was approved by the Board on 18 August 2016. A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at <http://www.nsrld.com/about/corporate-governance/>.

## INSURANCE OF OFFICERS AND INDEMNITIES

During the year the Company has paid a premium to insure the Directors and Officers of the Company and its controlled entities. Details of the premium are subject to a confidentiality clause under the contract of insurance. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as officers of entities in the Group.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the *Corporations Act 2001*.

## NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important.

Details of the amounts paid or payable to the auditor (Deloitte Touche Tohmatsu) for the audit and non-audit services provided during the year are disclosed in note 21 to the financial statements.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* because none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

## AUDITOR 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 26.

## ROUNDING

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.



**BILL BEAMENT**  
**Managing Director**

Perth, Western Australia  
 19 August 2016

**Deloitte.**

Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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123 St Georges Terrace  
Perth WA 6000  
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[www.deloitte.com.au](http://www.deloitte.com.au)

The Directors  
Northern Star Resources Limited  
Level 1, 388 Hay Street  
Subiaco WA 6008

19 August 2016

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 and its controlled entities.

As lead audit partner for the audit of the financial report of Northern Star Resources Limited and its controlled entities for the financial year ended 30 June 2016, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



**David Newman**  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

## TABLE OF CONTENTS

## PAGE

### Financial Statements

|                                                                         |    |
|-------------------------------------------------------------------------|----|
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 28 |
| Consolidated Statement of Financial Position                            | 29 |
| Consolidated Statement of Changes in Equity                             | 30 |
| Consolidated Statement of Cash Flows                                    | 31 |
| Notes to the Consolidated Financial Statements                          | 32 |
| Directors' Declaration                                                  | 67 |

These financial statements are the consolidated financial statements of the Group consisting of Northern Star Resources Limited and its subsidiaries. A list of subsidiaries is included in note 16.

The financial statements are presented in the Australian currency.

Northern Star Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

Its Registered Office is:  
Northern Star Resources Limited  
Level 1  
388 Hay Street  
Subiaco WA 6008

The financial statements were authorised for issue by the Directors on 19 August 2016. The Directors have the power to amend and re-issue the financial statements.

Press releases, financial reports and other information is available at our investor and media section on our website: [www.nsr ltd.com](http://www.nsr ltd.com)

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

## Continuing operations

|                                          | Notes | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|------------------------------------------|-------|------------------------|------------------------|
| Sales revenue                            | 3     | 785,788                | 728,151                |
| Cost of sales                            | 6(a)  | (512,419)              | (515,902)              |
|                                          |       | 273,369                | 212,249                |
| Other income and expense                 | 5     | 5,254                  | 969                    |
| Corporate and technical services         | 6(b)  | (30,952)               | (23,035)               |
| Acquisition costs                        | 6(c)  | (1,312)                | (12,757)               |
| Restructure costs                        |       | -                      | (4,223)                |
| Impairment of assets                     | 6(d)  | (4,389)                | (8,099)                |
| Finance costs                            | 6(e)  | (4,278)                | (7,987)                |
| <b>Profit before income tax</b>          |       | <b>237,692</b>         | <b>157,117</b>         |
| Income tax expense                       | 7     | (72,365)               | (48,391)               |
| <b>Profit from continuing operations</b> |       | <b>165,327</b>         | <b>108,726</b>         |

## Discontinued operations

|                                  |       |                |               |
|----------------------------------|-------|----------------|---------------|
| Loss from discontinued operation | 15(b) | (13,962)       | (16,824)      |
| <b>Profit for the year</b>       |       | <b>151,365</b> | <b>91,902</b> |

## Other comprehensive income

Items that may be reclassified to profit or loss

|                                                                  |  |            |              |
|------------------------------------------------------------------|--|------------|--------------|
| Changes in the fair value of available-for-sale financial assets |  | 1,104      | 4,131        |
| Income tax relating to these items                               |  | (331)      | (1,239)      |
| <b>Other comprehensive income for the year, net of tax</b>       |  | <b>773</b> | <b>2,892</b> |

## Total comprehensive income for the year

Total comprehensive income for the year is attributable to:

|                                                                                                                |  |          |          |
|----------------------------------------------------------------------------------------------------------------|--|----------|----------|
| Owners of the Company                                                                                          |  | 152,138  | 94,794   |
| Total comprehensive income for the year attributable to owners of Northern Star Resources Limited arises from: |  |          |          |
| Continuing operations                                                                                          |  | 166,100  | 111,618  |
| Discontinued operations                                                                                        |  | (13,962) | (16,824) |
|                                                                                                                |  | 152,138  | 94,794   |

## Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:

|                            |    | Cents | Cents |
|----------------------------|----|-------|-------|
| Basic earnings per share   | 22 | 27.6  | 18.4  |
| Diluted earnings per share | 22 | 27.4  | 18.3  |

## Earnings per share for profit attributable to the ordinary equity holders of the Company:

|                            |    |      |      |
|----------------------------|----|------|------|
| Basic earnings per share   | 22 | 25.2 | 15.5 |
| Diluted earnings per share | 22 | 25.1 | 15.5 |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| As at 30 June 2016                                                      | Notes | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|-------------------------------------------------------------------------|-------|------------------------|------------------------|
| <b>ASSETS</b>                                                           |       |                        |                        |
| <b>Current assets</b>                                                   |       |                        |                        |
| Cash and cash equivalents                                               | 8(c)  | 315,341                | 167,443                |
| Trade and other receivables                                             | 8(a)  | 10,521                 | 13,674                 |
| Inventories                                                             | 9(e)  | 59,986                 | 70,982                 |
| Current tax asset                                                       | 9(d)  | -                      | 10,987                 |
| Assets classified as held for sale                                      | 15    | 54,567                 | -                      |
| <b>Total current assets</b>                                             |       | <b>440,415</b>         | <b>263,086</b>         |
| <b>Non-current assets</b>                                               |       |                        |                        |
| Trade and other receivables                                             | 8(a)  | 2,187                  | -                      |
| Available-for-sale financial assets                                     | 8(b)  | 8,779                  | 7,537                  |
| Property, plant and equipment                                           | 9(a)  | 81,775                 | 102,563                |
| Exploration and evaluation assets                                       | 9(b)  | 98,420                 | 56,624                 |
| Mine properties                                                         | 9(c)  | 131,953                | 163,587                |
| <b>Total non-current assets</b>                                         |       | <b>323,114</b>         | <b>330,311</b>         |
| <b>TOTAL ASSETS</b>                                                     |       | <b>763,529</b>         | <b>593,397</b>         |
| <b>LIABILITIES</b>                                                      |       |                        |                        |
| <b>Current liabilities</b>                                              |       |                        |                        |
| Trade and other payables                                                | 8(d)  | 78,045                 | 93,053                 |
| Borrowings                                                              | 8(e)  | 9,194                  | 8,322                  |
| Current tax liabilities                                                 | 9(d)  | 35,896                 | -                      |
| Provisions                                                              | 9(f)  | 26,914                 | 32,914                 |
|                                                                         |       | <b>150,049</b>         | <b>134,289</b>         |
| Liabilities directly associated with assets classified as held for sale | 15    | 41,445                 | -                      |
| <b>Total current liabilities</b>                                        |       | <b>191,494</b>         | <b>134,289</b>         |
| <b>Non-current liabilities</b>                                          |       |                        |                        |
| Borrowings                                                              | 8(e)  | 4,871                  | 8,167                  |
| Provisions                                                              | 9(f)  | 78,681                 | 100,076                |
| Deferred tax liabilities                                                | 9(d)  | 36,569                 | 27,613                 |
| <b>Total non-current liabilities</b>                                    |       | <b>120,121</b>         | <b>135,856</b>         |
| <b>TOTAL LIABILITIES</b>                                                |       | <b>311,615</b>         | <b>270,145</b>         |
| <b>NET ASSETS</b>                                                       |       | <b>451,914</b>         | <b>323,252</b>         |
| <b>EQUITY</b>                                                           |       |                        |                        |
| Share capital                                                           | 10(a) | 214,950                | 204,925                |
| Reserves                                                                |       | 8,246                  | 4,960                  |
| Retained earnings                                                       |       | 228,718                | 113,367                |
| <b>TOTAL EQUITY</b>                                                     |       | <b>451,914</b>         | <b>323,252</b>         |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

|                                                              |       | Share capital<br>\$'000 | Available for<br>sale reserve<br>\$'000 | Share-based<br>payments<br>reserve<br>\$'000 | Retained<br>earnings<br>\$'000 | Total<br>equity<br>\$'000 |
|--------------------------------------------------------------|-------|-------------------------|-----------------------------------------|----------------------------------------------|--------------------------------|---------------------------|
| <b>Balance at 1 July 2014</b>                                |       | 193,808                 | 287                                     | 395                                          | 47,994                         | 242,484                   |
| Profit for the period                                        |       | -                       | -                                       | -                                            | 91,902                         | 91,902                    |
| Other comprehensive income                                   |       | -                       | 2,892                                   | -                                            | -                              | 2,892                     |
| <b>Total comprehensive income for the year</b>               |       | -                       | <b>2,892</b>                            | -                                            | <b>91,902</b>                  | <b>94,794</b>             |
| <b>Transactions with owners in their capacity as owners:</b> |       |                         |                                         |                                              |                                |                           |
| Contributions of equity, net of transaction costs and tax    | 10(a) | 10,000                  | -                                       | -                                            | -                              | 10,000                    |
| Dividends provided for or paid                               | 12(b) | -                       | -                                       | -                                            | (26,529)                       | (26,529)                  |
| Employee share and option plans - value of employee services |       | 980                     | -                                       | 1,206                                        | -                              | 2,186                     |
| Exercise of employee share options                           |       | 443                     | -                                       | (443)                                        | -                              | -                         |
| Share plan loan repayment                                    |       | -                       | -                                       | 317                                          | -                              | 317                       |
| Other                                                        |       | (306)                   | -                                       | 306                                          | -                              | -                         |
|                                                              |       | 11,117                  | -                                       | 1,386                                        | (26,529)                       | (14,026)                  |
| <b>Balance at 30 June 2015</b>                               |       | <b>204,925</b>          | <b>3,179</b>                            | <b>1,781</b>                                 | <b>113,367</b>                 | <b>323,252</b>            |
| <b>Balance at 1 July 2015</b>                                |       | 204,925                 | 3,179                                   | 1,781                                        | 113,367                        | 323,252                   |
| Profit for the period                                        |       | -                       | -                                       | -                                            | 151,365                        | 151,365                   |
| Other comprehensive income                                   |       | -                       | 773                                     | -                                            | -                              | 773                       |
| <b>Total comprehensive income for the year</b>               |       | -                       | <b>773</b>                              | -                                            | <b>151,365</b>                 | <b>152,138</b>            |
| <b>Transactions with owners in their capacity as owners:</b> |       |                         |                                         |                                              |                                |                           |
| Contributions of equity, net of transaction costs and tax    | 10(a) | 9,000                   | -                                       | -                                            | -                              | 9,000                     |
| Dividends provided for or paid                               | 12(b) | -                       | -                                       | -                                            | (36,014)                       | (36,014)                  |
| Employee share and option plans - value of employee services |       | 955                     | -                                       | 2,147                                        | -                              | 3,101                     |
| Exercise of employee share options                           |       | 70                      | -                                       | (70)                                         | -                              | -                         |
| Share plan loan repayment                                    |       | -                       | -                                       | 436                                          | -                              | 436                       |
|                                                              |       | 10,025                  | -                                       | 2,513                                        | (36,014)                       | (23,477)                  |
| <b>Balance at 30 June 2016</b>                               |       | <b>214,950</b>          | <b>3,952</b>                            | <b>4,294</b>                                 | <b>228,718</b>                 | <b>451,914</b>            |

## Nature and purposes of reserves:

### Available-for-sale financial assets

Changes in the fair value of investments that are classified as available-for-sale financial assets (eg. equity securities), are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

### Share-based payments

The share-based payments reserve relates to shares, performance shares and share options granted by the Company to its employees. Further information about share-based payments to employees is set out in note 20.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

|                                                                  | Notes | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|------------------------------------------------------------------|-------|------------------------|------------------------|
| <b>Cash flows from operating activities</b>                      |       |                        |                        |
| Receipts from customers (inclusive of GST)                       |       | 897,701                | 847,086                |
| Payments to suppliers and employees (inclusive of GST)           |       | (506,085)              | (449,676)              |
| Interest received                                                |       | 3,850                  | 2,079                  |
| Interest paid                                                    |       | (1,258)                | (1,917)                |
| Income taxes paid                                                | 9(d)  | (10,873)               | (38,563)               |
| <b>Net cash inflow from operating activities</b>                 | 8(c)  | <b>383,335</b>         | 359,009                |
| <b>Cash flows from investing activities</b>                      |       |                        |                        |
| Payments for acquisition of businesses, net of cash acquired     | 13    | -                      | (90,729)               |
| Payments for property, plant and equipment                       | 9(a)  | (17,918)               | (20,524)               |
| Payments for exploration and evaluation                          | 9(b)  | (61,538)               | (35,619)               |
| Payments for mine properties                                     |       | (110,184)              | (93,524)               |
| Payments for available for sale financial assets                 |       | (152)                  | (500)                  |
| Proceeds from sale of property, plant and equipment              |       | 69                     | 1,438                  |
| <b>Net cash outflow from investing activities</b>                |       | <b>(189,723)</b>       | (239,458)              |
| <b>Cash flows from financing activities</b>                      |       |                        |                        |
| Proceeds from borrowings                                         |       | -                      | 70,750                 |
| Repayment of borrowings                                          |       | -                      | (70,750)               |
| Finance lease payments                                           |       | (9,700)                | (7,966)                |
| Dividends paid to Company's Shareholders                         | 12(b) | (36,014)               | (26,529)               |
| <b>Net cash outflow from financing activities</b>                |       | <b>(45,714)</b>        | (34,495)               |
| <b>Net increase in cash and cash equivalents</b>                 |       | <b>147,898</b>         | 85,056                 |
| Cash and cash equivalents at the beginning of the financial year |       | 167,443                | 82,387                 |
| <b>Cash and cash equivalents at end of year</b>                  | 8(c)  | <b>315,341</b>         | 167,443                |

Details of cash flows related to discontinued operations are presented in note 15.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

## CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## PAGE

|    |                                                     |    |
|----|-----------------------------------------------------|----|
| 1  | Critical estimates and judgements                   | 33 |
|    | <b>How numbers are calculated</b>                   | 33 |
| 2  | Segment information                                 | 33 |
| 3  | Revenue                                             | 35 |
| 4  | Significant changes in the current reporting period | 36 |
| 5  | Other income and expense items                      | 36 |
| 6  | Expenses                                            | 36 |
| 7  | Income tax expense                                  | 38 |
| 8  | Financial assets and financial liabilities          | 39 |
| 9  | Non-financial assets and liabilities                | 42 |
| 10 | Equity                                              | 49 |
|    | <b>Risk</b>                                         | 49 |
| 11 | Financial risk management                           | 49 |
| 12 | Capital management                                  | 52 |
|    | <b>Group structure</b>                              | 52 |
| 13 | Business combination                                | 52 |
| 14 | Asset acquisition                                   | 54 |
| 15 | Discontinued operation                              | 54 |
| 16 | Interests in other entities                         | 55 |
|    | <b>Unrecognised items</b>                           | 56 |
| 17 | Commitments                                         | 56 |
| 18 | Events occurring after the reporting period         | 56 |
|    | <b>Other information</b>                            | 56 |
| 19 | Related party transactions                          | 56 |
| 20 | Share-based payments                                | 57 |
| 21 | Remuneration of auditors                            | 59 |
| 22 | Earnings per share                                  | 59 |
| 23 | Deed of cross guarantee                             | 60 |
| 24 | Parent entity financial information                 | 61 |
| 25 | Summary of significant accounting policies          | 62 |

## 1. CRITICAL ESTIMATES AND JUDGEMENTS

### a) Critical accounting estimates and assumptions

#### (i) Determination of Mineral Resources and Ore Reserves

The Group reports its Mineral Resources and Ore Reserves in accordance with the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves - the JORC Code. The information on Mineral Resources and Ore Reserves is prepared by Competent Persons as defined by the JORC Code.

There are numerous uncertainties inherent in estimating Mineral Resources and Ore Reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of Reserves and may, ultimately, result in the Reserves being restated. Such changes may impact asset carrying values, depreciation and amortisation rates, deferred development costs and provisions for restoration.

Other critical accounting judgements, estimates and assumptions are discussed in the following notes:

|                                                        |                  |
|--------------------------------------------------------|------------------|
| Unit of production method of depreciation/amortisation | note 6(a)        |
| Share-based payments                                   | note 6(b)        |
| Exploration and evaluation expenditure                 | note 9(b)        |
| Recovery of deferred tax assets                        | note 9(d)        |
| Mine rehabilitation provision                          | note 9(f)        |
| Impairment of assets                                   | note 25(d); 9(c) |

## HOW NUMBERS ARE CALCULATED

This section provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the entity, including:

- (a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction
- (b) analysis and sub-totals, including segment information
- (c) information about estimates and judgements made in relation to particular items.

## 2. SEGMENT INFORMATION

### (a) Description of segments and principal activities

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

1. Paulsens, WA Australia - Mining and processing of gold
2. Kundana, WA Australia - Gold mining
3. Kanowna Belle, WA Australia - Mining and processing of gold
4. Jundee, WA Australia - Mining and processing of gold
5. Tanami, NT Australia (acquired 31 July 2015)
6. 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.

Exploration comprises all projects in the exploration, evaluation and feasibility phase of the Group. These include the Mt Olympus, Fortescue JV and Electric Dingo projects as well as ongoing exploration programmes at the Group's respective sites.

During the year the Group commenced a sales process related to its Plutonic operations in WA, which is consequently classified as a discontinued operation as at 30 June 2016. Further information on Plutonic and the disposal process is included in note 15.

An analysis of segment revenues is presented in note 3.

## (b) Segment results

The segment information for the year ended 30 June 2016 is as follows:

| 2016                                | Paulsens<br>\$'000 | Kundana<br>\$'000 | Kanowna<br>Belle<br>\$'000 | Jundee<br>\$'000 | Tanami<br>\$'000 | Exploration<br>\$'000 | Total<br>\$'000  |
|-------------------------------------|--------------------|-------------------|----------------------------|------------------|------------------|-----------------------|------------------|
| Segment net operating profit (loss) |                    |                   |                            |                  |                  |                       |                  |
| before income tax                   | 32,481             | 78,322            | 62,174                     | 98,208           | (2,099)          | (4,375)               | 264,711          |
| Depreciation and amortisation       | 32,302             | 25,639            | 17,594                     | 73,932           | -                | -                     | 149,467          |
| Impairment                          | -                  | -                 | -                          | -                | -                | 4,375                 | 4,375            |
| Finance costs                       | 146                | 20                | 656                        | 1,176            | -                | -                     | 1,998            |
| <b>Segment EBITDA</b>               | <b>64,929</b>      | <b>103,981</b>    | <b>80,424</b>              | <b>173,316</b>   | <b>(2,099)</b>   | <b>-</b>              | <b>420,551</b>   |
| <b>Total segment assets</b>         | <b>57,506</b>      | <b>69,021</b>     | <b>60,935</b>              | <b>103,105</b>   | <b>596</b>       | <b>98,420</b>         | <b>389,583</b>   |
| <b>Total segment liabilities</b>    | <b>(21,676)</b>    | <b>(18,751)</b>   | <b>(65,841)</b>            | <b>(69,405)</b>  | <b>(834)</b>     | <b>-</b>              | <b>(176,507)</b> |

The segment information for the year ended 30 June 2015 is as follows:

| 2015                                | Paulsens<br>\$'000 | Plutonic<br>\$'000 | Kundana<br>\$'000 | Kanowna<br>Belle<br>\$'000 | Jundee<br>\$'000 | Exploration<br>\$'000 | Total<br>\$'000  |
|-------------------------------------|--------------------|--------------------|-------------------|----------------------------|------------------|-----------------------|------------------|
| Segment net operating profit (loss) |                    |                    |                   |                            |                  |                       |                  |
| before income tax                   | 12,918             | (22,271)           | 71,671            | 33,252                     | 85,729           | (8,573)               | 172,726          |
| Depreciation and amortisation       | 24,072             | 27,065             | 27,609            | 17,316                     | 69,194           | -                     | 165,256          |
| Impairment                          | -                  | -                  | -                 | -                          | -                | 8,573                 | 8,573            |
| Finance costs                       | 141                | 1,238              | 48                | 1,923                      | 1,215            | -                     | 4,565            |
| <b>Segment EBITDA</b>               | <b>37,131</b>      | <b>6,032</b>       | <b>99,328</b>     | <b>52,491</b>              | <b>156,138</b>   | <b>-</b>              | <b>351,120</b>   |
| <b>Total segment assets</b>         | <b>62,336</b>      | <b>56,751</b>      | <b>59,835</b>     | <b>56,249</b>              | <b>118,644</b>   | <b>56,624</b>         | <b>410,439</b>   |
| <b>Total segment liabilities</b>    | <b>(17,366)</b>    | <b>(57,531)</b>    | <b>(13,645)</b>   | <b>(64,994)</b>            | <b>(72,025)</b>  | <b>-</b>              | <b>(225,561)</b> |

## (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.

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 year ended 30 June 2016 as follows:

|                                                            | 30 June 2016<br>\$'000 |
|------------------------------------------------------------|------------------------|
| <b>Segment EBITDA</b>                                      | <b>420,551</b>         |
| Other income                                               | 5,254                  |
| Finance costs                                              | (4,278)                |
| Depreciation                                               | (24,515)               |
| Amortisation                                               | (125,215)              |
| Corporate and technical services                           | (25,303)               |
| Acquisition costs                                          | (1,312)                |
| Share-based payments                                       | (3,101)                |
| Impairment of assets                                       | (4,389)                |
| <b>Profit before income tax from continuing operations</b> | <b>237,692</b>         |

Segment EBITDA reconciles to profit before tax for the year ended 30 June 2015 as follows:

|                                  | 30 June 2015<br>\$'000 |
|----------------------------------|------------------------|
| <b>Segment EBITDA</b>            | <b>351,120</b>         |
| Other income                     | 1,158                  |
| Finance costs                    | (9,098)                |
| Depreciation                     | (43,032)               |
| Amortisation                     | (122,454)              |
| Corporate and technical services | (21,095)               |
| Acquisition costs                | (12,757)               |
| Share-based payments             | (2,186)                |
| Impairment of assets             | (8,573)                |
| <b>Profit before tax</b>         | <b>133,083</b>         |

## Reconciliation to profit before income tax from continuing operations

|                                                            |                |
|------------------------------------------------------------|----------------|
| Profit before tax                                          | 133,083        |
| Loss before income tax from discontinued operations        | 24,034         |
| <b>Profit before income tax from continuing operations</b> | <b>157,117</b> |

## (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:

|                                                                             | <b>30 June 2016</b> | <b>30 June 2015</b> |
|-----------------------------------------------------------------------------|---------------------|---------------------|
|                                                                             | <b>\$'000</b>       | <b>\$'000</b>       |
| <b>Segment assets</b>                                                       | <b>389,583</b>      | <b>410,439</b>      |
| Unallocated:                                                                |                     |                     |
| Assets classified as held for sale                                          | <b>54,567</b>       | -                   |
| Available-for-sale financial assets                                         | <b>8,779</b>        | 7,537               |
| Cash and cash equivalents                                                   | <b>303,974</b>      | 159,456             |
| Trade and other receivables                                                 | <b>4,712</b>        | 4,979               |
| Current tax asset                                                           | -                   | 10,987              |
| Property, plant and equipment                                               | <b>1,914</b>        | -                   |
| <b>Total assets as per the Consolidated Statement of Financial Position</b> | <b>763,529</b>      | <b>593,398</b>      |

Investment in equity securities (classified as available-for-sale financial assets) held by the Group are not considered to be segment assets as they are managed by the treasury function.

## (e) Segment liabilities

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

|                                                                                  | <b>30 June 2016</b> | <b>30 June 2015</b> |
|----------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                  | <b>\$'000</b>       | <b>\$'000</b>       |
| <b>Segment liabilities</b>                                                       | <b>176,507</b>      | <b>225,561</b>      |
| Unallocated:                                                                     |                     |                     |
| Trade and other payables                                                         | <b>7,231</b>        | 4,058               |
| Borrowings                                                                       | <b>4,585</b>        | -                   |
| Provision for employee benefits                                                  | <b>5,789</b>        | 5,550               |
| Current tax liabilities                                                          | <b>35,896</b>       | -                   |
| Provisions - other                                                               | <b>3,593</b>        | 7,363               |
| Deferred tax liabilities (net)                                                   | <b>36,569</b>       | 27,613              |
| Liabilities attributable to assets held for sale                                 | <b>41,445</b>       | -                   |
| <b>Total liabilities as per the Consolidated Statement of Financial Position</b> | <b>311,615</b>      | <b>270,145</b>      |

## 3. REVENUE

### Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when there has been a transfer of risks and rewards from the Group to an external party, no further processing is required by the Group, quality and quantity of the goods has been determined with reasonable accuracy, the selling price is fixed or determinable and collectability is probable. The point at which risk and rewards passes for the majority of the Group's commodity sales is upon delivery of the gold bullion to the refiner or its agent. Adjustments are made for variations in commodity price, assay and weight between the time of dispatch and the time of final settlement.

The Group derives the following types of revenue:

|                                                 | <b>30 June 2016</b> | <b>30 June 2015</b> |
|-------------------------------------------------|---------------------|---------------------|
|                                                 | <b>\$'000</b>       | <b>\$'000</b>       |
| Sale of gold                                    | <b>784,072</b>      | 726,342             |
| Sale of silver                                  | <b>1,716</b>        | 1,809               |
| <b>Total revenue from continuing operations</b> | <b>785,788</b>      | <b>728,151</b>      |

## (a) Segment revenue

The total of revenue, broken down by operating segment, is shown in the following table. All revenue is from external customers and from one geographical location (Australia). No revenues are generated by the Tanami or Exploration operating segments.

|             | <b>Paulsens<br/>\$'000</b> | <b>Plutonic*<br/>\$'000</b> | <b>Kundana<br/>\$'000</b> | <b>Kanowna Belle<br/>\$'000</b> | <b>Jundee<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|-------------|----------------------------|-----------------------------|---------------------------|---------------------------------|--------------------------|-------------------------|
| <b>2016</b> | <b>126,703</b>             | <b>-</b>                    | <b>170,452</b>            | <b>158,030</b>                  | <b>330,603</b>           | <b>785,788</b>          |
| <b>2015</b> | <b>113,936</b>             | <b>-</b>                    | <b>148,734</b>            | <b>140,283</b>                  | <b>325,198</b>           | <b>728,151</b>          |

\*Plutonic classified as a discontinued operation as at 30 June 2016 and 2015 for comparative purposes.

## 4. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- Completion of settlement with Tanami Gold under which Northern Star can progressively acquire a 60% joint venture interest in the Central Tanami Project. Settlement occurred on 31 July 2015 following a payment of A\$20 million by Northern Star to Tanami Gold NL. This comprised a cash payment of A\$11 million and the issue of 4.29 million Northern Star shares which have a value of A\$9 million based on their five-day volume weighted average price prior to the ASX announcement of the deal on 26 February 2015. As a result of the payment Northern Star now has a 25% interest in the Central Tanami Project
- In February 2016, the Company announced its intention to run a formal process to consider the sale of the Plutonic operations. As announced to the ASX on 15 August 2016, the Company has executed a legally-binding Sale and Purchase Agreement to sell the Plutonic operations subject to satisfaction of certain conditions as disclosed in the announcement. Plutonic operations are classified as held for sale at 30 June 2016, refer to note 15 of the financial report for details.

For a detailed discussion about the Group's performance and financial position please refer to our operating and financial review on pages 3 to 14.

## 5. OTHER INCOME AND EXPENSE ITEMS

|                                                       | <b>30 June 2016<br/>\$'000</b> | <b>30 June 2015<br/>\$'000</b> |
|-------------------------------------------------------|--------------------------------|--------------------------------|
| Net loss on disposal of property, plant and equipment | <b>(432)</b>                   | (1,845)                        |
| Interest income                                       | <b>4,250</b>                   | 2,032                          |
| Other                                                 | <b>1,436</b>                   | 782                            |
|                                                       | <b>5,254</b>                   | 969                            |

### Interest

Interest income is recognised as it accrues using the effective interest method.

## 6. EXPENSES

### (a) Cost of sales

|                            | <b>30 June 2016<br/>\$'000</b> | <b>30 June 2015<br/>\$'000</b> |
|----------------------------|--------------------------------|--------------------------------|
| Mining                     | <b>163,478</b>                 | 170,559                        |
| Processing                 | <b>63,805</b>                  | 68,373                         |
| Site services              | <b>19,062</b>                  | 18,410                         |
| Employee benefit expenses  | <b>99,499</b>                  | 89,061                         |
| Depreciation               | <b>24,253</b>                  | 30,952                         |
| Amortisation               | <b>125,215</b>                 | 107,240                        |
| Government royalty expense | <b>19,689</b>                  | 18,159                         |
| Change in inventories      | <b>(2,582)</b>                 | 13,148                         |
|                            | <b>512,419</b>                 | 515,902                        |

### Depreciation/amortisation method

Items of property, plant and equipment and mine properties are depreciated/amortised over their useful lives. The Group uses the unit-of-production basis when depreciating/amortising mine specific assets which results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine which is referenced to the estimated economic Reserve and Resources of the property to which the assets relate. Each item's economic life, which is assessed annually has due regard to both its physical life limitations and to present assessments of economically recoverable Reserves and Resources of the mine property at which it is located.

Depreciation of non-mine specific property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

|                       |              |
|-----------------------|--------------|
| ▪ Land and buildings  | 5 - 20 years |
| ▪ Plant and equipment | 2 - 20 years |
| ▪ Motor Vehicles      | 4 - 10 years |
| ▪ Office equipment    | 2 - 10 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

## Royalties

Royalties under existing royalty regimes are payable on sales and are therefore recognised as the sale occurs.

## (b) Corporate and technical services

|                           | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|---------------------------|------------------------|------------------------|
| Administration            | 14,812                 | 11,407                 |
| Depreciation              | 263                    | 230                    |
| Employee benefit expenses | 12,776                 | 9,212                  |
| Share-based payments      | 3,101                  | 2,186                  |
|                           | <b>30,952</b>          | <b>23,035</b>          |

## Accounting policy

Share-based compensation benefits are provided to employees via Option and Share Plans as discussed in note 20.

The fair value of shares and options granted under these Plans are recognised as a share-based payments expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares or options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of shares and options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of shares and options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss with a corresponding adjustment to equity.

## (c) Acquisition costs

|                            | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|----------------------------|------------------------|------------------------|
| Pre-emptive waiver expense | -                      | 10,000                 |
| Gain on bargain purchase   | -                      | (10,000)               |
| Acquisition costs          | 1,312                  | 12,757                 |
|                            | <b>1,312</b>           | <b>12,757</b>          |

During the year ended 30 June 2015, the Company completed the acquisition of the Jundee gold mine from Newmont Mining Corporation. Acquisition related costs of \$12.8 million and ordinary shares issued to the value of \$10.0 million to a third party to waive their pre-emptive right were excluded from the consideration transfer and have been recognised as an expense in the statement of profit or loss and other comprehensive income. The bargain purchase arose as a result of the vendor making a strategic decision to reduce their presence in the Australian market as part of a review of their global operations.

## (d) Impairment of assets

|                                     | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|-------------------------------------|------------------------|------------------------|
| Exploration and evaluation assets   | 4,375                  | 8,099                  |
| Available-for-sale financial assets | 14                     | -                      |
|                                     | <b>4,389</b>           | <b>8,099</b>           |

## (e) Finance costs

|                                   | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|-----------------------------------|------------------------|------------------------|
| Interest expense                  | 1,173                  | 2,234                  |
| Provisions: unwinding of discount | 1,998                  | 3,326                  |
| Finance charges                   | 1,107                  | 2,427                  |
|                                   | <b>4,278</b>           | <b>7,987</b>           |

## Provision - unwinding of discount

The Group records the present value of the estimated cost of legal and constructive obligations to rehabilitate operating locations in the period in which the obligation is incurred. The unwinding of the effect of discounting the provision is recorded as a finance charge in profit or loss.

|                       |                |                |
|-----------------------|----------------|----------------|
| <b>Total expenses</b> | <b>553,350</b> | <b>567,780</b> |
|-----------------------|----------------|----------------|

## 7. INCOME TAX EXPENSE

This note provides an analysis of the Group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

### (a) Income tax expense

|                                                             | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|-------------------------------------------------------------|------------------------|------------------------|
| <i>Current tax</i>                                          |                        |                        |
| Current tax on profits for the year                         | 57,542                 | 28,106                 |
| Adjustments for current tax of prior periods                | (27)                   | 1,454                  |
| <b>Total current tax</b>                                    | <b>57,515</b>          | <b>29,560</b>          |
| <i>Deferred income tax</i>                                  |                        |                        |
| Decrease (increase) in deferred tax assets (note 9(d))      | (1,882)                | (3,010)                |
| (Decrease) increase in deferred tax liabilities (note 9(d)) | 10,748                 | 14,631                 |
| <b>Total deferred tax expense/(benefit)</b>                 | <b>8,866</b>           | <b>11,621</b>          |
| <b>Income tax expense</b>                                   | <b>66,381</b>          | <b>41,181</b>          |
| Income tax expense/(benefit) is attributable to:            |                        |                        |
| Profit from continuing operations                           | 72,365                 | 48,391                 |
| Loss from discontinued operations (note 15)                 | (5,984)                | (7,210)                |
|                                                             | <b>66,381</b>          | <b>41,181</b>          |

### (b) Accounting policy

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (c) Numerical reconciliation of income tax expense to prima facie tax payable

|                                                                                         | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|-----------------------------------------------------------------------------------------|------------------------|------------------------|
| Profit from continuing operations before income tax expense                             | 237,692                | 157,117                |
| Loss from discontinuing operations before income tax expense                            | (19,946)               | (24,034)               |
|                                                                                         | <b>217,746</b>         | <b>133,083</b>         |
| Tax at the Australian tax rate of 30.0% (2015 - 30.0%)                                  | 65,324                 | 39,925                 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: |                        |                        |
| Share-based payments                                                                    | 754                    | 566                    |
| Sundry items                                                                            | 3                      | (134)                  |
| Recognition of deferred tax assets not recoverable in prior periods                     | 327                    | (630)                  |
| Adjustment for current tax of prior periods                                             | (27)                   | 1,454                  |
| <b>Income tax expense</b>                                                               | <b>66,381</b>          | <b>41,181</b>          |
|                                                                                         | <b>(284,127)</b>       | <b>(174,264)</b>       |

### (d) Amounts recognised directly in equity

|                                                                                                                                                                                       | Notes | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------------------------|------------------------|
| Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity: |       |                        |                        |
| Deferred tax: available-for-sale financial assets                                                                                                                                     | 9(d)  | 331                    | 1,239                  |

## 8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held by the Group
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group holds the following financial instruments:

|                                     | Notes | Assets at<br>FVOCI<br>\$'000 | Financial assets<br>at amortised<br>cost<br>\$'000 | Total<br>\$'000 |
|-------------------------------------|-------|------------------------------|----------------------------------------------------|-----------------|
| <b>Financial assets</b>             |       |                              |                                                    |                 |
| <b>2016</b>                         |       |                              |                                                    |                 |
| Cash and cash equivalents           | 8(c)  | -                            | 315,341                                            | 315,341         |
| Trade and other receivables*        | 8(a)  | -                            | 9,933                                              | 9,933           |
| Available-for-sale financial assets | 8(b)  | 8,779                        | -                                                  | 8,779           |
|                                     |       | <b>8,779</b>                 | <b>325,274</b>                                     | <b>334,053</b>  |
| <b>2015</b>                         |       |                              |                                                    |                 |
| Cash and cash equivalents           | 8(c)  | -                            | 167,443                                            | 167,443         |
| Trade and other receivables*        | 8(a)  | -                            | 12,338                                             | 12,338          |
| Available-for-sale financial assets | 8(b)  | 7,537                        | -                                                  | 7,537           |
|                                     |       | <b>7,537</b>                 | <b>179,781</b>                                     | <b>187,318</b>  |

\* excluding prepayments

|                              | Notes | Liabilities at<br>amortised<br>cost<br>\$'000 | Total<br>\$'000 |
|------------------------------|-------|-----------------------------------------------|-----------------|
| <b>Financial liabilities</b> |       |                                               |                 |
| <b>2016</b>                  |       |                                               |                 |
| Trade and other payables     | 8(d)  | 78,045                                        | 78,045          |
| Borrowings                   | 8(e)  | 14,065                                        | 14,065          |
|                              |       | <b>92,110</b>                                 | <b>92,110</b>   |
| <b>2015</b>                  |       |                                               |                 |
| Trade and other payables     | 8(d)  | 93,053                                        | 93,053          |
| Borrowings                   | 8(e)  | 16,489                                        | 16,489          |
|                              |       | <b>109,542</b>                                | <b>109,542</b>  |

The Group's exposure to various risks associated with the financial instruments is discussed in note 11. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

### (a) Trade and other receivables

#### Accounting policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

|                                    | 30 June 2016      |                           |                 | 30 June 2015      |                 |
|------------------------------------|-------------------|---------------------------|-----------------|-------------------|-----------------|
|                                    | Current<br>\$'000 | Non-<br>current<br>\$'000 | Total<br>\$'000 | Current<br>\$'000 | Total<br>\$'000 |
| Trade receivables                  | 2,768             | -                         | 2,768           | 5,024             | 5,024           |
| Sundry debtors                     | 2,166             | -                         | 2,166           | 1,551             | 1,551           |
| Goods and services tax recoverable | 3,468             | -                         | 3,468           | 4,791             | 4,791           |
| Prepayments                        | 589               | 2,187                     | 2,776           | 1,336             | 1,336           |
| Other receivables                  | 1,530             | -                         | 1,530           | 972               | 972             |
|                                    | <b>10,521</b>     | <b>2,187</b>              | <b>12,708</b>   | <b>13,674</b>     | <b>13,674</b>   |

(i) *Classification as trade and other receivables*

If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

(ii) *Fair value of trade and other receivables*

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

**(b) Available-for-sale financial assets**

*Accounting policy*

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVTPL, loans and receivables or held-to-maturity investments) are included in the available-for-sale category. Refer to note 25 for further information on accounting policies for financial assets and note 8(f) in relation to fair value measurements.

Available-for-sale financial assets include the following classes of financial assets:

|                           | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|---------------------------|------------------------|------------------------|
| <b>Non-current assets</b> |                        |                        |
| Listed equity securities  | 8,779                  | 7,537                  |

(i) *Classification of financial assets as available-for-sale*

The financial assets are presented as non-current assets unless they mature or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) *Amounts recognised in profit or loss and other comprehensive income*

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income.

|                                                | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|------------------------------------------------|------------------------|------------------------|
| Gains recognised in other comprehensive income | 1,104                  | 4,131                  |

**(c) Cash and cash equivalents**

*Accounting policy*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

|                          | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|--------------------------|------------------------|------------------------|
| Cash at bank and in hand | 214,041                | 165,143                |
| Deposits at call         | 101,300                | 2,300                  |
|                          | <b>315,341</b>         | <b>167,443</b>         |

(i) *Reconciliation to the statement of cash flows*

Reconciliation of profit after tax to net cash flow from operating activities:

|                                                           | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|-----------------------------------------------------------|------------------------|------------------------|
| Profit for the year                                       | 151,365                | 91,902                 |
| Adjustment for                                            |                        |                        |
| Depreciation and amortisation                             | 173,899                | 165,487                |
| Non-cash employee benefits expense - share-based payments | 3,101                  | 2,186                  |
| Rehabilitation provision - unwinding of discount          | 2,221                  | 4,564                  |
| Net loss on sale of non-current assets                    | 635                    | 2,537                  |
| Transaction costs written off                             | -                      | 1,290                  |
| Impairment of assets during the period                    | 5,147                  | 8,573                  |
| Change in operating assets and liabilities:               |                        |                        |
| Decrease in trade and other receivables                   | 2,187                  | 1,712                  |
| (Increase)/decrease in inventories                        | (3,785)                | 14,184                 |
| (Increase) in deferred tax assets                         | (1,882)                | (7,408)                |
| (Decrease)/increase in trade and other payables           | (7,103)                | 55,577                 |
| (Decrease)/increase in current tax liability/asset        | 46,883                 | (16,404)               |
| Increase in deferred tax liabilities                      | 10,507                 | 26,430                 |
| Increase in provisions                                    | 160                    | 8,379                  |
| Net cash inflow from operating activities                 | <b>383,335</b>         | <b>359,009</b>         |

(ii) *Risk exposure*

The Group's exposure to interest rate risk is discussed in note 11. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

**(d) Trade and other payables**

*Accounting policy*

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

|                                             | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|---------------------------------------------|------------------------|------------------------|
| Trade payables                              | 41,020                 | 45,026                 |
| Accruals                                    | 28,247                 | 37,923                 |
| Payroll tax and other statutory liabilities | 4,807                  | 1,908                  |
| Other payables                              | 3,971                  | 8,196                  |
|                                             | <b>78,045</b>          | <b>93,053</b>          |

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

**(e) Borrowings**

*Accounting policy*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised under plant and equipment at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

|                          | 30 June 2016      |                           |                 | 30 June 2015      |                           |                 |
|--------------------------|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
|                          | Current<br>\$'000 | Non-<br>current<br>\$'000 | Total<br>\$'000 | Current<br>\$'000 | Non-<br>current<br>\$'000 | Total<br>\$'000 |
| Lease liabilities        | 9,070             | 4,871                     | 13,941          | 8,322             | 8,167                     | 16,489          |
| Other loans              | 124               | -                         | 124             | -                 | -                         | -               |
| Total secured borrowings | <b>9,194</b>      | <b>4,871</b>              | <b>14,065</b>   | <b>8,322</b>      | <b>8,167</b>              | <b>16,489</b>   |

(i) *Secured liabilities and assets pledged as security*

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

(ii) *Finance leases*

The Group has entered into various loan agreements for the purchase of mobile equipment. The interest rates are fixed and payable over a period of up to 36 months from the inception of the lease.

|                                                                   | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|-------------------------------------------------------------------|------------------------|------------------------|
| Commitments in relation to finance leases are payable as follows: |                        |                        |
| Within one year                                                   | 9,408                  | 8,824                  |
| Later than one year but not later than five years                 | 4,970                  | 8,364                  |
| Minimum lease payments                                            | <b>14,378</b>          | <b>17,188</b>          |
| Future finance charges                                            | (437)                  | (699)                  |
| Total lease liabilities                                           | <b>13,941</b>          | <b>16,489</b>          |
| Representing lease liabilities:                                   |                        |                        |
| Current                                                           | 9,070                  | 8,322                  |
| Non-current                                                       | 4,871                  | 8,167                  |
|                                                                   | <b>13,941</b>          | <b>16,489</b>          |

(iii) *Fair value*

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Refer above for differences as at year end.

(iv) *Financing arrangements*

At the end of the reporting period, the Group had an undrawn \$100 million (2015: \$100 million) revolving credit facility and a \$5 million guarantee facility which was drawn down by \$3.5 million (2015: nil).

**(f) Recognised fair value measurements**

As at 30 June 2016, the Group's level 1 financial instruments comprise available-for-sale equity securities of \$8.8 million (2015: \$7.5 million). The Group's available-for-sale equity securities are traded in an active market and their fair values are based upon quoted market prices at the end of the reporting period.

## 9. NON-FINANCIAL ASSETS AND LIABILITIES

This note provides information about the Group's non-financial assets and liabilities, including:

- specific information about the following non-financial assets and non-financial liabilities
  - property, plant and equipment
  - exploration and evaluation assets
  - mine properties assets
  - tax balances
  - inventories
  - provisions
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

**(a) Property, plant and equipment**

*Accounting policy*

Property, plant and equipment is carried at historical cost less accumulated depreciation and impairment losses. Refer to note 25 for further information on accounting policies associated with impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

|                                                       | Land & buildings<br>\$'000 | Plant & equipment<br>\$'000 | Motor Vehicles<br>\$'000 | Office equipment<br>\$'000 | Capital work in progress<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------------|----------------------------|-----------------------------|--------------------------|----------------------------|------------------------------------|-----------------|
| <b>At 30 June 2015</b>                                |                            |                             |                          |                            |                                    |                 |
| Cost or fair value                                    | 12,808                     | 141,924                     | 5,027                    | 1,861                      | 9,886                              | 171,506         |
| Accumulated depreciation                              | (5,165)                    | (59,484)                    | (3,342)                  | (952)                      | -                                  | (68,943)        |
| Net book amount                                       | 7,643                      | 82,440                      | 1,685                    | 909                        | 9,886                              | 102,563         |
| <b>Year ended 30 June 2015</b>                        |                            |                             |                          |                            |                                    |                 |
| Opening net book amount                               | 3,064                      | 54,314                      | 986                      | 663                        | 1,612                              | 60,639          |
| Additions                                             | -                          | 11,106                      | 30                       | 2                          | 29,240                             | 40,378          |
| Adjustments to provisional business combination value | 1,726                      | 21,106                      | 1,595                    | 35                         | (841)                              | 23,621          |
| Acquired as part of business combination              | 2,244                      | 20,203                      | 1,526                    | 414                        | -                                  | 24,387          |
| Disposals                                             | -                          | (3,797)                     | (178)                    | -                          | -                                  | (3,975)         |
| Transfers                                             | 1,282                      | 17,142                      | 110                      | 274                        | (18,808)                           | -               |
| Transfer to mine properties                           | -                          | (145)                       | -                        | -                          | (1,317)                            | (1,462)         |
| Reclassification of property, plant and equipment     | 2,007                      | -                           | -                        | -                          | -                                  | 2,007           |
| Depreciation charge                                   | (2,067)                    | (26,476)                    | (2,195)                  | (444)                      | -                                  | (31,182)        |
| Depreciation charge - discontinued operations         | (613)                      | (11,013)                    | (189)                    | (35)                       | -                                  | (11,850)        |
| Closing net book amount                               | 7,643                      | 82,440                      | 1,685                    | 909                        | 9,886                              | 102,563         |

|                                                                                     | Land & buildings<br>\$'000 | Plant & equipment<br>\$'000 | Motor Vehicles<br>\$'000 | Office equipment<br>\$'000 | Capital work in progress<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------------------------------------------|----------------------------|-----------------------------|--------------------------|----------------------------|------------------------------------|-----------------|
| <b>At 30 June 2016</b>                                                              |                            |                             |                          |                            |                                    |                 |
| Cost or fair value                                                                  | 10,653                     | 140,178                     | 6,006                    | 2,443                      | 2,437                              | 161,717         |
| Accumulated depreciation                                                            | (5,795)                    | (68,584)                    | (4,278)                  | (1,285)                    | -                                  | (79,942)        |
| Net book amount                                                                     | 4,858                      | 71,594                      | 1,728                    | 1,158                      | 2,437                              | 81,775          |
| <b>Year ended 30 June 2016</b>                                                      |                            |                             |                          |                            |                                    |                 |
| Opening net book amount                                                             | 7,643                      | 82,440                      | 1,685                    | 909                        | 9,886                              | 102,563         |
| Additions                                                                           | -                          | -                           | -                        | -                          | 25,450                             | 25,450          |
| Disposals                                                                           | -                          | (673)                       | (18)                     | -                          | -                                  | (691)           |
| Transfers                                                                           | 977                        | 26,159                      | 1,324                    | 773                        | (29,233)                           | -               |
| Transfer to mine properties                                                         | -                          | -                           | -                        | -                          | (2,920)                            | (2,920)         |
| Reclassification of property, plant and equipment                                   | (44)                       | (57)                        | 131                      | (30)                       | -                                  | -               |
| Assets included in a disposal group classified as held for sale and other disposals | (2,171)                    | (8,126)                     | (290)                    | (65)                       | (746)                              | (11,398)        |
| Depreciation charge                                                                 | (1,352)                    | (21,753)                    | (1,001)                  | (409)                      | -                                  | (24,515)        |
| Depreciation charge - discontinued operations                                       | (195)                      | (6,396)                     | (103)                    | (20)                       | -                                  | (6,714)         |
| Closing net book amount                                                             | 4,858                      | 71,594                      | 1,728                    | 1,158                      | 2,437                              | 81,775          |

(i) *Leased assets*

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the lease property, or, if lower, the present value of the minimum lease payments.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

|                           | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|---------------------------|------------------------|------------------------|
| Cost                      | 32,082                 | 27,722                 |
| Accumulation depreciation | (14,894)               | (7,058)                |
| Net book amount           | 17,188                 | 20,664                 |

**(b) Exploration and evaluation assets**

*Accounting policy*

Exploration and evaluation assets include the costs of acquiring licences, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditure is capitalised on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of profit or loss and other comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either, the expenditures are expected to be recouped through successful development and exploitation of the area of interest or activities in the area of interest have not at the reporting date; reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable Reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Once a development decision has been made all past exploration and evaluation expenditure in respect of an area of interest that has been capitalised is transferred to mine properties where it is amortised over the life of the area of interest to which it relates on a unit-of-production basis. No amortisation is charged during the exploration and evaluation phase.

The application of the above accounting policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of Reserves will be found. Any such estimates and assumptions may change as new information becomes available, which may require adjustments to the carrying value of assets. Capitalised exploration and evaluation expenditure is assessed for impairment when an indicator of impairment exists, and capitalised assets are written off where required.

|                                           | 30 June 2016  | 30 June 2015  |
|-------------------------------------------|---------------|---------------|
|                                           | \$'000        | \$'000        |
| Opening balance at 1 July                 | 56,624        | 69,049        |
| Expenditure for the year                  | 50,632        | 34,268        |
| Acquired as part of asset acquisition (i) | 20,056        | 1,450         |
| Reclassification from current assets      | -             | 400           |
| Asset classified as held for sale         | (7,704)       | -             |
| Transfer to property, plant and equipment | -             | (2,007)       |
| Transfer to mine properties               | (16,054)      | (8,255)       |
| Reclassification to mine properties       | -             | (29,707)      |
| Impairment (ii)                           | (4,375)       | (8,099)       |
| Impairment - discontinued operations      | (759)         | (475)         |
| <b>Closing balance</b>                    | <b>98,420</b> | <b>56,624</b> |

*(i) Acquisition of tenements*

On 31 July 2015 the Company completed settlement of the agreement with Tanami Gold NL (TAM) under which the Company can progressively acquire a 60% joint venture interest in the Central Tanami Project. Settlement followed the payment of A\$20 million by the Company to TAM. This comprised a cash payment of A\$11 million and the issue of 4.29 million shares in the Company which had a value of A\$9 million based on the five-day volume weighted average price prior to the ASX announcement on 26 February 2015.

As a result of this payment, the Company now has a 25% interest in the Central Tanami Project and surrounding tenements. Refer to note 14 for further details.

*(ii) Impairment*

At each reporting date the Group undertakes an assessment of the carrying amount of its exploration and evaluation assets. During the year the Group identified indicators of impairment on certain exploration and evaluation assets under AASB 6 Exploration for and Evaluation of Mineral Resources. As a result of this review, an impairment loss of \$4.4 million (2015: \$8.1 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.

## **(c) Mine properties**

### *Accounting policy*

Mine properties includes aggregate expenditure in relation to mine construction, mine development, exploration and evaluation expenditure where a development decision has been made and acquired mineral interests.

Expenditure incurred in constructing a mine by, or on behalf of, the Group is accumulated separately for each area of interest in which economically recoverable Reserves and Resources have been identified. This expenditure includes direct costs of construction, drilling costs and removal of overburden to gain access to the ore, borrowing costs capitalised during construction and an appropriate allocation of attributable overheads.

Mine development represents expenditure in respect of exploration and evaluation, overburden removal and construction costs and development incurred by or on behalf of the Group previously accumulated and carried forward in relation to properties in which mining has now commenced. Such expenditure comprises direct costs and an appropriate allocation of directly related overhead expenditure.

All expenditure incurred prior to commencement of production from each development property is carried forward to the extent to which recoupment out of future revenue from the sale of production, or from the sale of the property, is reasonably assured. When further development expenditure is incurred in respect of a mine property after commencement of commercial production, such expenditure is carried forward as part of the cost of the mine property only when future economic benefits are reasonably assured, otherwise the expenditure is classified as part of the cost of production and expensed as incurred. Such capitalised development expenditure is added to the total carrying value of mine development being amortised.

Mine development costs (as transferred from exploration and evaluation and/or mines under construction) are amortised on a units-of-production basis over the life of mine to which they relate. In applying the units of production method, amortisation is calculated using the expected total contained ounces as determined by the life of mine plan specific to that mine property. For development expenditure undertaken during production, the amortisation rate is based on the ratio of total development expenditure (incurred and anticipated) over the expected total contained ounces as estimated by the relevant life of mine plan to achieve a consistent amortisation rate per ounce. The rate per ounce is typically updated annually as the life of mine plans are revised.

Mineral interests comprise identifiable exploration and evaluation assets, Mineral Resources and Ore Reserves, which are acquired as part of a business combination or joint venture acquisition and are recognised at fair value at the date of acquisition. Where possible, mineral interests are attributable to specific areas of interest and are classified within mine properties.

Refer to note 25 for further information on accounting policies associated with impairment.

|                                                                                                                 | 30 June 2016   | 30 June 2015   |
|-----------------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                                 | \$'000         | \$'000         |
| Opening balance at 1 July                                                                                       | 163,587        | 90,197         |
| Expenditure for the year                                                                                        | 111,934        | 91,308         |
| Transfer from exploration and evaluation                                                                        | 16,054         | 8,255          |
| Acquired as part of business combination                                                                        | -              | 96,731         |
| Net transfer from property, plant and equipment                                                                 | 2,920          | 1,462          |
| Adjustment to business combination provisional values - net of reclassification from exploration and evaluation | -              | (1,912)        |
| Assets classified as held for sale                                                                              | (19,872)       | -              |
| Amortisation                                                                                                    | (125,215)      | (107,240)      |
| Amortisation - discontinued operations                                                                          | (17,455)       | (15,214)       |
| <b>Closing balance</b>                                                                                          | <b>131,953</b> | <b>163,587</b> |

## (ii) Impairment

An impairment indicator assessment was undertaken for all operations at balance date. This review concluded that for the Plutonic gold mine operation an impairment indicator did exist given the high cost of production and losses incurred during the year. The other operations were assessed as not having indicators of impairment.

During the year, the Company announced its intention to conduct a sale process for the Plutonic operations. The Plutonic operations have been classified as held for sale as at 30 June 2016.

An impairment assessment was undertaken prior to the reclassification to held for sale, with the recoverable amount being referenced to the consideration presented within an arm's length non-binding offer letter (The Offer). The consideration included in The Offer composed of a number of components which required judgement in fair valuing. The various components include:

- A\$12.5 million cash payment at completion of the Sale and Purchase Agreement ('SPA');
- further payments in either cash or equity of the acquirer within six months of the execution of the SPA, valued at at least A\$25 million;
- if the proposed acquirer's parent is listed at completion or lists up to six months after completion of the SPA, one 10 year warrant for every two shares issued to Northern Star exercisable at a 100% premium to the "Go Public" issue price;
- potential milestone payments capped at A\$10 million where A\$2.5 million is payable for each additional 250,000 ounces of NI 43-101 compliant indicated Resources (or better) in excess of 1,717,000oz JORC 2012 measured, indicated or inferred Mineral Resources; and
- a 2% net smelter royalty on production between 300,000oz and 600,000oz of refined gold generated from the Project, capped at A\$10 million. The acquirer is entitled to buy the royalty earlier for A\$6.5 million.

The Offer was considered the best evidence of fair value less costs to sell in accordance with AASB 136 Impairment of Assets given that it was a result of a competitive sales process participated in by a number of willing, able and knowledgeable participants. Subsequent to year end, the Company executed a legally-binding conditional Sale and Purchase Agreement for the Plutonic gold mine, refer to note 18.

Refer to note 15 for further information in relation to the Plutonic operations, including its related assets and liabilities which will be transferred as part of any sale.

Based on management's estimate of the fair value of the consideration presented above, the recoverable amount exceeded the carrying value of the associated assets of the Plutonic operations and therefore no impairment loss was charged to the profit or loss for the year ended 30 June 2016.

## (d) Tax balances

### (i) Current tax asset/(liability)

|                                             | 30 June 2016    | 30 June 2015  |
|---------------------------------------------|-----------------|---------------|
|                                             | \$'000          | \$'000        |
| Opening balance at 1 July                   | 10,987          | (5,228)       |
| Tax paid                                    | 10,873          | 38,563        |
| Current tax                                 | (57,542)        | (28,106)      |
| Adjustment for current tax on prior periods | (214)           | 5,758         |
| <b>Closing balance</b>                      | <b>(35,896)</b> | <b>10,987</b> |

(ii) *Deferred tax assets*

|                                                                     | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|---------------------------------------------------------------------|------------------------|------------------------|
| <b>The balance comprises temporary differences attributable to:</b> |                        |                        |
| Employee benefits                                                   | 8,442                  | 7,454                  |
| Provisions                                                          | 31,031                 | 30,143                 |
| Accruals                                                            | 576                    | 565                    |
| Available-for-sale financial assets                                 | 302                    | 630                    |
|                                                                     | <b>40,351</b>          | <b>38,792</b>          |
| <i>Other</i>                                                        |                        |                        |
| Other                                                               | 1,053                  | 730                    |
| Total deferred tax assets                                           | <b>41,404</b>          | <b>39,522</b>          |
| Set-off of deferred tax liabilities pursuant to set-off provisions  | <b>(41,404)</b>        | <b>(39,522)</b>        |
| Net deferred tax assets                                             | <b>-</b>               | <b>-</b>               |

| <b>Movements</b>            | <b>Employee<br/>benefits<br/>\$'000</b> | <b>Provisions<br/>\$'000</b> | <b>Investments<br/>\$'000</b> | <b>Other<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|-----------------------------|-----------------------------------------|------------------------------|-------------------------------|-------------------------|-------------------------|
| <b>At 1 July 2014</b>       | 6,048                                   | 16,630                       | (19)                          | 6,003                   | 28,662                  |
| (Charged)/credited          |                                         |                              |                               |                         |                         |
| - to profit or loss         | 3,544                                   | 1,722                        | 649                           | (2,905)                 | 3,010                   |
| - adjustments to prior year | (5,633)                                 | -                            | -                             | (1,803)                 | (7,436)                 |
| - acquisition of subsidiary | 3,495                                   | 11,791                       | -                             | -                       | 15,286                  |
| <b>At 30 June 2015</b>      | <b>7,454</b>                            | <b>30,143</b>                | <b>630</b>                    | <b>1,295</b>            | <b>39,522</b>           |
| (Charged)/credited          |                                         |                              |                               |                         |                         |
| - to profit or loss         | 988                                     | 888                          | (328)                         | 334                     | 1,882                   |
| <b>At 30 June 2016</b>      | <b>8,442</b>                            | <b>31,031</b>                | <b>302</b>                    | <b>1,629</b>            | <b>41,404</b>           |

(iii) *Deferred tax liabilities*

|                                                                     | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|---------------------------------------------------------------------|------------------------|------------------------|
| <b>The balance comprises temporary differences attributable to:</b> |                        |                        |
| Property, plant and equipment                                       | 1,554                  | 1,918                  |
| Inventories                                                         | 8,102                  | 9,139                  |
| Exploration and evaluation                                          | 25,710                 | 16,867                 |
| Mine properties                                                     | 41,036                 | 37,972                 |
|                                                                     | <b>76,402</b>          | <b>65,896</b>          |
| <i>Other</i>                                                        |                        |                        |
| Available-for-sale financial assets                                 | 1,571                  | 1,239                  |
| Total deferred tax liabilities                                      | <b>77,973</b>          | <b>67,135</b>          |
| Set-off of deferred tax liabilities pursuant to set-off provisions  | <b>(41,404)</b>        | <b>(39,522)</b>        |
| Net deferred tax liabilities                                        | <b>36,569</b>          | <b>27,613</b>          |

*Offsetting within tax consolidated group*

Northern Star Resources Limited and its wholly-owned Australian subsidiaries have applied the tax consolidation legislation which means that these entities are taxed as a single entity. As a consequence, the deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

| <b>Movements</b>                | <b>Exploration and evaluation<br/>\$'000</b> | <b>Mine properties<br/>\$'000</b> | <b>Property, plant and equipment<br/>\$'000</b> | <b>Inventories<br/>\$'000</b> | <b>Other<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|---------------------------------|----------------------------------------------|-----------------------------------|-------------------------------------------------|-------------------------------|-------------------------|-------------------------|
| <b>At 1 July 2014</b>           | 15,284                                       | 15,785                            | 975                                             | 6,841                         | 581                     | 39,466                  |
| Charged/(credited)              |                                              |                                   |                                                 |                               |                         |                         |
| - profit or loss                | 1,583                                        | 17,763                            | (6,793)                                         | 2,298                         | (220)                   | 14,631                  |
| - adjustment to prior year      | -                                            | 327                               | -                                               | -                             | (361)                   | (34)                    |
| - to other comprehensive income | -                                            | -                                 | -                                               | -                             | 1,239                   | 1,239                   |
| - acquisition of subsidiary     | -                                            | 4,097                             | 7,736                                           | -                             | -                       | 11,833                  |
| <b>At 30 June 2015</b>          | 16,867                                       | 37,972                            | 1,918                                           | 9,139                         | 1,239                   | 67,135                  |
| Charged/(credited)              |                                              |                                   |                                                 |                               |                         |                         |
| - profit or loss                | 8,843                                        | 3,301                             | (360)                                           | (1,037)                       | 1                       | 10,748                  |
| - adjustment to prior year      | -                                            | (237)                             | (4)                                             | -                             | -                       | (241)                   |
| - to other comprehensive income | -                                            | -                                 | -                                               | -                             | 331                     | 331                     |
| <b>At 30 June 2016</b>          | 25,710                                       | 41,036                            | 1,554                                           | 8,102                         | 1,571                   | 77,973                  |

## Recovery of deferred taxes

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets, including those arising from unutilised tax losses (where applicable), require management to assess the likelihood that the Group will comply with the relevant tax legislation and will generate sufficient taxable earnings in future years in order to recognise and utilise those deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and existing tax laws in each jurisdiction. These assessments require the use of estimates and assumptions such as exchange rates, commodity prices and operating performance over the life of the assets. To the extent that cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the deferred tax assets reported at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future years.

## (e) Inventories

### Accounting policy

Gold bullion, gold in circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost and net realisable value. Cost represents the weighted average cost and includes direct purchase costs and an appropriate portion of fixed and variable production overhead expenditure, including depreciation and amortisation, incurred in converting materials into finished goods.

Materials and supplies are valued at the lower of cost and net realisable value. Any allowance for obsolescence is determined by reference to specific stock items identified. A regular and on-going review is undertaken to establish the extent of surplus items and an allowance is made for any potential loss on their disposal.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Ore stockpiles which are not expected to be processed in the 12 months after the reporting date are classified as non-current inventory. There is a reasonable expectation the processing of these stockpiles will have a future economic benefit to the Group and accordingly values these stockpiles at the lower of cost and net realisable value

|                       | <b>30 June 2016<br/>\$'000</b> | <b>30 June 2015<br/>\$'000</b> |
|-----------------------|--------------------------------|--------------------------------|
| <b>Current assets</b> |                                |                                |
| Consumable stores     | 17,831                         | 30,462                         |
| Ore stockpiles        | 29,524                         | 22,064                         |
| Gold in circuit       | 12,631                         | 18,456                         |
|                       | <b>59,986</b>                  | <b>70,982</b>                  |

### (i) Amounts recognised in profit or loss

Write-downs of inventories to net realisable value amounted to \$4.3 million (2015 - Nil). These were recognised as an expense during the year ended 30 June 2016 and included in 'cost of sales' in profit or loss.

## (f) Provisions

### Accounting policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of managements best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Refer to note 25 for further information on accounting policies associated with rehabilitation costs.

|                       | 30 June 2016      |                           |                 | 30 June 2015      |                           |                 |
|-----------------------|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
|                       | Current<br>\$'000 | Non-<br>current<br>\$'000 | Total<br>\$'000 | Current<br>\$'000 | Non-<br>current<br>\$'000 | Total<br>\$'000 |
| Employee entitlements | 22,722            | 1,245                     | 23,967          | 24,767            | 2,242                     | 27,009          |
| Rehabilitation        | -                 | 77,436                    | 77,436          | -                 | 97,834                    | 97,834          |
| Other                 | 4,192             | -                         | 4,192           | 8,147             | -                         | 8,147           |
|                       | <b>26,914</b>     | <b>78,681</b>             | <b>105,595</b>  | <b>32,914</b>     | <b>100,076</b>            | <b>132,990</b>  |

(i) *Employee entitlements - leave obligations*

The leave obligations cover the Group's liability for long service leave and annual leave.

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the annual leave provision of \$18.5 million (2015 - \$17.3 million) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. Based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

|                                                                  | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|------------------------------------------------------------------|------------------------|------------------------|
| Current leave obligations expected to be settled after 12 months | <b>7,063</b>           | 3,505                  |

(ii) *Information about individual provisions and significant estimates*

*Rehabilitation provision*

The Group assesses its mine rehabilitation provision annually. Significant judgement is required in determining the provision for mine rehabilitation and closure as there are many factors that will affect the ultimate liability payable to rehabilitate the mine sites, including future disturbances caused by further development, changes in technology, changes in regulations, price increases, changes in timing of cash flows which are based on life of mine plans and changes in discount rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which the change becomes known.

*Long service leave*

The liability for long service leave and other long-term benefits is measured at the present value of the estimated future cash outflows to be made by the Group for those employees with greater than 5 years' service up to the reporting date. Long-term benefits not expected to be settled within 12 months are discounted using the rates attaching to high quality corporate bonds at the reporting date, which most closely match the terms of maturity of the related liability. In determining the liability for these long-term employee benefits, consideration has been given to expected future increases in wage and salary rates, the Group's experience with staff departures and periods of service. Related on-costs are also included in the liability.

(iii) *Movements in provisions*

Movements in each class of provision during the financial year, other than employee entitlements, are set out below:

|                                                         | Rehabilitation<br>\$'000 | Other<br>\$'000 |
|---------------------------------------------------------|--------------------------|-----------------|
| <b>2016</b>                                             |                          |                 |
| Carrying amount at the start of the year                | 97,834                   | 8,147           |
| - additional provisions recognised                      | 473                      | 4,839           |
| - liabilities attributable to assets held for sale      | (23,054)                 | (181)           |
| Amounts used during the year                            | (39)                     | (8,613)         |
| - unwinding of discount                                 | 1,998                    | -               |
| - unwinding of discount - discontinued operations       | 224                      | -               |
| Carrying amount at end of year                          | <b>77,436</b>            | <b>4,192</b>    |
| <b>2015</b>                                             |                          |                 |
| Carrying amount at the start of the year                | 65,523                   | 5,417           |
| - additional provisions recognised                      | 1,200                    | 2,730           |
| - adjustment to business combination provisional values | (3,837)                  | -               |
| - acquired through business combination                 | 30,384                   | -               |
| - unwinding of discount                                 | 3,326                    | -               |
| - unwinding of discount - discontinued operations       | 1,238                    | -               |
| Carrying amount at end of year                          | <b>97,834</b>            | <b>8,147</b>    |

## 10. EQUITY

### Accounting policy

Ordinary shares are classified as equity. They entitle the holder to participate in dividends and have no par value.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (a) Share capital

|                            | 30 June 2016<br>Shares | 30 June 2015<br>Shares | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|----------------------------|------------------------|------------------------|------------------------|------------------------|
| Ordinary shares            |                        |                        |                        |                        |
| Fully paid                 | 600,396,469            | 592,928,376            | 214,950                | 204,925                |
| <b>Total share capital</b> | <b>600,396,469</b>     | <b>592,928,376</b>     | <b>214,950</b>         | <b>204,925</b>         |

(i) Movements in ordinary shares:

| Details                               | Number of<br>shares | Total<br>\$'000 |
|---------------------------------------|---------------------|-----------------|
| Opening balance 1 July 2014           | 579,404,804         | 193,808         |
| Employee Share Plan issues            | 392,496             | 980             |
| Equity issue net of transaction costs | 7,854,843           | 10,000          |
| Performance Share Plan issues         | 5,039,975           | -               |
| Exercise of options                   | 236,258             | 443             |
| Transfers to reserves                 | -                   | (306)           |
| Balance 30 June 2015                  | 592,928,376         | 204,925         |
| Employee Share Plan issues            | 187,180             | 955             |
| Equity issue net of transaction costs | 4,290,228           | 9,000           |
| Performance Share Plan issues         | 2,810,953           | -               |
| Exercise of options                   | 179,732             | 70              |
| <b>Balance 30 June 2016</b>           | <b>600,396,469</b>  | <b>214,950</b>  |

### Equity issue

On 1 July 2014, the Company issued 7,854,843 fully paid ordinary shares at an issue price of \$1.2731 per share in return for waiving the right of first refusal to buy the Jundee gold mine.

On 31 July 2015, the Company issued 4,290,228 fully paid ordinary shares at an issue price of \$2.0978 per share as part of the settlement with Tanami Gold to progressively acquire a 60% joint venture interest in the Central Tanami Project.

### Option and Share Plan

Information relating to the Employee Option Plan and Employee Share Plan, including details of options issued, exercised and lapsed during the financial year, options outstanding at the end of the financial year and shares issued during the year, is set out in note 20.

## RISK

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

## 11. FINANCIAL RISK MANAGEMENT

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

| Risk                               | Exposure arising from                                     | Measurement of risk               | How the risk is managed                                                   |
|------------------------------------|-----------------------------------------------------------|-----------------------------------|---------------------------------------------------------------------------|
| Market risk - foreign exchange     | Future commercial transactions                            | Cash flow forecasting             | Material expenses and revenues are denominated in Australian Dollars.     |
| Market risk - interest rate        | Borrowings at variable rates                              | Sensitivity analysis              | Fixed interest rates over term of borrowings on plant and equipment       |
| Market risk - security prices      | Investments in equity securities                          | Sensitivity analysis              | Management of equity investments                                          |
| Market risk - commodity price risk | Fluctuations in the prevailing market prices of gold      | Sensitivity analysis              | Gold forward contracts                                                    |
| Credit risk                        | Cash and cash equivalents and trade and other receivables | Aging analysis and credit ratings | Diversification of bank deposits and credit risk                          |
| Liquidity risk                     | Borrowings and other liabilities                          | Rolling cash flow forecasts       | Management of availability of committed borrowing facilities and maturity |

The Board has the overall responsibility for the establishment and oversight of the risk management framework. The Audit and Risk Committee is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

## (a) Market risk

### (i) Foreign exchange risk

At reporting date the Group has minimal exposure to foreign currency risk. The Group's operations are all located within Australia and material expenses and revenues are denominated in Australian Dollars, the Company's functional currency.

### (ii) Cash flow and fair value interest rate risk

At reporting date the Group has minimal exposure to interest rate risk. The majority of the Group's borrowings relate to the purchases of plant and equipment under finance lease arrangements which have fixed interest rates over their term and therefore not subject to interest rate risk as defined in AASB 7.

### (iii) Price risk

#### Exposure

The Group is exposed to the risk of fluctuations in the prevailing market prices for the gold and silver currently produced from its operating mines.

The Group manages this risk through the use of gold forward contracts. These contracts are accounted for as sale contracts with revenue recognised once gold has been physically delivered into the contract. The physical gold delivery contracts are considered a contract to sell a non-financial item and therefore do not fall within the scope of AASB 139 *Financial Instruments: Recognition and Measurement*. As at reporting date the Group has contractual sale commitments of 297,193 ounces of gold at an average price of A\$1,737 per ounce (2015: 90,000 ounces at A\$1,435 per ounce).

The Group is also exposed to equity securities price risk arising from investments held by the Group and classified in the statement of financial position as available-for-sale financial assets.

All of the Group's equity investments are publicly traded on the ASX.

#### Sensitivity

The table below summarises the impact of increases/decreases of the gold price on the Group's post-tax profit for the year. The analysis is based on the assumption that the gold price had increased/decreased by AUD\$100 per ounce (2015: increased/decreased by AUD\$100 per ounce) with all other variables held constant.

| Index                        | Impact on post-tax profit |                |
|------------------------------|---------------------------|----------------|
|                              | 2016<br>\$'000            | 2015<br>\$'000 |
| Gold price - increase A\$100 | 19,047                    | 32,760         |
| Gold price - decrease A\$100 | (19,047)                  | (32,760)       |

## (b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligation resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents and credit exposures to gold sales counterparties and financial counterparties.

### (i) Risk management

The Group has adopted the policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Cash is deposited only with institutions approved by the Board, typically with a current minimum credit rating of A (or equivalent) as determined by a reputable credit rating agency eg. Standard & Poor's. Permitted instruments by which the Group hedges gold price risk are entered into with financial counterparties with a minimum credit of A (or equivalent). The Group has established limits on aggregate funds on term deposit or invested in money markets to be placed with a single financial counterparty and monitors credit and counterparty risk using credit default swaps. The Group sells the majority of its unhedged gold and silver to a single counterparty with settlement terms of no more than 2 days. The counterparty currently has an AA+ long term rating and AAA short term rating. The Group does not have any other significant credit risk exposure to a single counterparty or any Group of counterparties having similar characteristics.

### (ii) Credit quality

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

|                                                  | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|--------------------------------------------------|------------------------|------------------------|
| <b>Trade receivables</b>                         |                        |                        |
| Counterparties with external credit rating       |                        |                        |
| AA                                               | 2,015                  | 2,733                  |
| Counterparties without external credit rating *  |                        |                        |
| Group 1                                          | 753                    | 2,290                  |
| <b>Total trade receivables</b>                   | <b>2,768</b>           | <b>5,023</b>           |
| <b>Cash at bank and short-term bank deposits</b> |                        |                        |
| AA                                               | 315,341                | 167,443                |

\* Group 1 - counterparties with no defaults in the past

### (iii) Impaired trade receivables

In determining the recoverability of trade and other receivables, the Group performs a risk analysis considering the type and age of the outstanding receivable and the creditworthiness of the counterparty. If appropriate, an impairment loss will be recognised in profit or loss. The Group does not have any impaired Trade and other receivables as at 30 June 2016 (2015: nil).

### (c) Liquidity risk

The Group manages liquidity risk by monitoring immediate and forecasted cash requirements and ensures adequate cash reserves are maintained to pay debts as and when due.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the Group held deposits at call of \$101.3 million (2015: \$2.3 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit facilities.

Management monitors rolling forecasts of the Group's available cash reserve (comprising the undrawn borrowing facilities below and cash and cash equivalents) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group. The Group's liquidity management policy involves seeking to maintain a minimum available cash of at least 30 days costs of goods sold plus net interest costs.

#### (i) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

|                                                 | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|-------------------------------------------------|------------------------|------------------------|
| <b>Floating rate</b>                            |                        |                        |
| - Expiring within one year (financing facility) | -                      | 100,000                |
| - Expiring beyond one year (financing facility) | 100,000                | -                      |
|                                                 | <b>100,000</b>         | <b>100,000</b>         |

The credit facilities may be drawn at any time.

#### (ii) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| Contractual maturities of financial liabilities | Less than 6 months<br>\$'000 | 6-12 months<br>\$'000 | Between 1 and 2 years<br>\$'000 | Between 2 and 5 years<br>\$'000 | Over 5 years<br>\$'000 | Total contractual cash flows<br>\$'000 | Carrying amount liabilities<br>\$'000 |
|-------------------------------------------------|------------------------------|-----------------------|---------------------------------|---------------------------------|------------------------|----------------------------------------|---------------------------------------|
| <b>At 30 June 2016</b>                          |                              |                       |                                 |                                 |                        |                                        |                                       |
| Trade and other payables                        | 78,045                       | -                     | -                               | -                               | -                      | 78,045                                 | 78,045                                |
| Finance lease liabilities                       | 5,034                        | 4,374                 | 4,023                           | 947                             | -                      | 14,378                                 | 13,941                                |
| Other loans                                     | 124                          | -                     | -                               | -                               | -                      | 124                                    | 124                                   |
| <b>Total non-derivatives</b>                    | <b>83,203</b>                | <b>4,374</b>          | <b>4,023</b>                    | <b>947</b>                      | <b>-</b>               | <b>92,547</b>                          | <b>92,110</b>                         |
| <b>At 30 June 2015</b>                          |                              |                       |                                 |                                 |                        |                                        |                                       |
| Trade and other payables                        | 93,053                       | -                     | -                               | -                               | -                      | 93,053                                 | 93,053                                |
| Finance lease liabilities                       | 4,868                        | 3,956                 | 6,844                           | 1,520                           | -                      | 17,188                                 | 16,489                                |
| <b>Total non-derivatives</b>                    | <b>97,921</b>                | <b>3,956</b>          | <b>6,844</b>                    | <b>1,520</b>                    | <b>-</b>               | <b>110,241</b>                         | <b>109,542</b>                        |

The weighted average interest rate on finance lease liabilities was 3.42% (2015: 4.33%)

## 12. CAPITAL MANAGEMENT

### (a) Risk management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for Shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital and maximise returns to Shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders or issue new shares.

Total capital is equity, as shown in the statement of financial position. The Group is not subject to any externally imposed capital requirements.

### (b) Dividends

#### (i) Ordinary shares

|                                                                                                                                                | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Final dividend for the year ended 30 June 2015 of 3 cents (2014: 2.5 cents) per fully paid share paid on 2 October 2015 (2015: 3 October 2014) | 18,001                 | 14,686                 |
| Interim dividend for the year ended 30 June 2016 of 3 cents (2015: 2 cents) per fully paid share paid on 5 April 2016 (2015: 3 April 2015)     | 18,013                 | 11,843                 |
|                                                                                                                                                | <b>36,014</b>          | <b>26,529</b>          |

#### (ii) Dividends not recognised at the end of the reporting period

|                                                                                                                                                                                                                                                                                                                                                                                                       | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 4 cents per fully paid ordinary share (2015 - 3 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 13 October 2016 out of retained earnings at 30 June 2016, but not recognised as a liability at year end, is | 24,016                 | 18,001                 |

#### (iii) Franking credits

At balance date the value of franking credits available (at 30%) was \$26.3 million (2015: \$29.6 million).

## GROUP STRUCTURE

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:

- changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation; and
- interests in joint operations.

A list of significant subsidiaries is provided in note 16.

## 13. BUSINESS COMBINATION

### Accounting policy

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the: fair values of the assets transferred; liabilities incurred to the former owners of the acquired business; equity interests issued by the Group; fair value of any asset or liability resulting from a contingent consideration arrangement; and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the acquisition date fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

## (a) Jundee Gold Mine

### (i) Summary of the acquisition

On 1 July 2014, Northern Star completed the acquisition of the Jundee gold mine from Newmont Mining Corporation. The total cash consideration paid by Northern Star was \$99.7 million, of which \$9.0 million was paid during the period ended 30 June 2014.

Details of the purchase consideration and the net identifiable assets acquired are as follows:

|                        |        |
|------------------------|--------|
| Purchase consideration | \$'000 |
| Cash paid              | 99,729 |

The assets and liabilities recognised as a result of the acquisition are as follows:

|                                  | Fair value<br>\$'000 |
|----------------------------------|----------------------|
| Inventories                      | 22,150               |
| Property, plant and equipment    | 24,387               |
| Mine properties                  | 96,731               |
| Provision for employee benefits  | (3,155)              |
| Provision for rehabilitation     | (30,384)             |
| Net identifiable assets acquired | 109,729              |
| Less: gain on bargain purchase   | (10,000)             |
| Net identifiable assets acquired | 99,729               |

Acquisition related costs of \$12.8 million and shares issued to the value of \$10 million to a third party to waive their pre-emptive right have been excluded from the consideration transferred and have been recognised as an expense in the statement of profit or loss and other comprehensive income for the year ended 30 June 2015. The bargain purchase arose as a result of the vendor making a strategic decision to reduce their presence in the Australian market as part of a review of their global operations.

### (ii) Revenue and profit contribution

Details of the financial impact of the acquisition of the Jundee gold mine on the financial year ended 30 June 2015 are disclosed in note 2.

## (b) Plutonic Gold Mine

### (i) Summary of the acquisition

On 1 February 2014, the Company completed a Sale and Purchase Agreement with Barrick Gold Corporation to purchase the Plutonic gold mine which was initially provisionally accounted for in the consolidated financial statements for the year ended 30 June 2014. An independent appraisal of the assets and liabilities was commissioned and completed during the year ended 30 June 2015. Details of the final fair values reported that are impacting current year comparatives are illustrated below:

Details of the purchase consideration and the net identifiable assets acquired are as follows:

|                        |        |
|------------------------|--------|
| Purchase consideration | \$'000 |
| Cash Paid              | 25,000 |

The assets and liabilities recognised as a result of the acquisition are as follows:

|                                     | Fair Value<br>\$000's |
|-------------------------------------|-----------------------|
| Inventories                         | 13,007                |
| Available-for-sale financial assets | 89                    |
| Property, plant and equipment       | 18,422                |
| Exploration and evaluation          | 400                   |
| Mine properties                     | 30,554                |
| Trade and other payables            | (8,751)               |
| Provision for employee entitlements | (7,128)               |
| Provision for rehabilitation        | (21,593)              |
| Net identifiable assets acquired    | 25,000                |

## (c) Kanowna Belle and East Kundana Joint Venture

### (i) Summary of the acquisition

On 1 March 2014, the Company completed the acquisition of Barrick Gold Corporation's 100% owned Kanowna Belle gold mine and production facilities and 51% interest in the East Kundana Joint Venture which was initially provisionally accounted for in the consolidated financial statements for the year ended 30 June 2014. An independent appraisal of the assets and liabilities was commissioned and completed during the year ended 30 June 2015. Details of the final fair values reported that are impacting current year comparatives are illustrated below:

Details of the purchase consideration and the net identifiable assets acquired are as follows:

|                        |        |
|------------------------|--------|
| Purchase consideration | \$'000 |
| Cash Paid              | 75,000 |

The assets and liabilities recognised as a result of the acquisition are as follows:

|                                     | Fair Value<br>\$'000 |
|-------------------------------------|----------------------|
| Cash and cash equivalents           | 1,627                |
| Trade and other receivables         | 9,406                |
| Inventories                         | 41,560               |
| Available-for-sale financial assets | 1,195                |
| Property, plant and equipment       | 29,133               |
| Mine properties                     | 54,933               |
| Deferred tax asset                  | 3,453                |
| Trade and other payables            | (18,078)             |
| Provision for employee entitlements | (11,648)             |
| Provision for rehabilitation        | (36,581)             |
| Net identifiable assets acquired    | 75,000               |

(ii) Purchase consideration - cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired

|                             |         |
|-----------------------------|---------|
| Cash consideration          | \$000   |
| Less: cash balance acquired | 75,000  |
|                             | (1,627) |
|                             | 73,373  |

## 14. ASSET ACQUISITION

On 31 July 2015, the Group completed settlement with Tanami Gold NL (TAM) to progressively acquire a 60% joint venture interest in the Central Tanami Project (CTP).

As part of the acquisition, the Group has granted TAM two put options to sell the remaining 40% interest in the CTP following completion. The first put option will grant TAM the right to sell 15% of CTP for A\$20 million in cash or NST shares at TAM's election, at any time from completion up until three years after the completion of the initial acquisition. If commercial production is achieved more than three years after completion, TAM may exercise this option at any time up to 30 calendar days following achievement of Commercial Production. The second put option will grant TAM the right to sell 25% of CTP for A\$32 million in cash or NST shares at TAM's election at any time from completion up to six calendar months after the achievement of commercial production.

The total undiscounted amount of payments that the Group could be required to make to TAM upon the exercise of the two put options is A\$52 million.

## 15. DISCONTINUED OPERATION

Accounting policy

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

### (a) Description

As announced to the ASX in February 2016, the Group commenced a formal sale process for the Plutonic gold mine. Subsequently, the Group announced on 15 August 2016 that a legally binding conditional Sale and Purchase Agreement was executed. The associated assets and liabilities were consequently presented as held for sale in the 2016 financial statements.

As at 30 June 2016 the sales process was at an advanced stage and is expected to complete within 12 months of the reporting date.

### (b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year ended 30 June 2016.

|                                                        | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|--------------------------------------------------------|------------------------|------------------------|
| Revenue (note 3)                                       | 101,629                | 117,502                |
| Expenses                                               | (121,575)              | (141,536)              |
| Loss before income tax                                 | (19,946)               | (24,034)               |
| Income tax benefit                                     | 5,984                  | 7,210                  |
| <b>Loss after income tax of discontinued operation</b> | <b>(13,962)</b>        | <b>(16,824)</b>        |
| <b>Loss from discontinued operation</b>                | <b>(13,962)</b>        | <b>(16,824)</b>        |
| Net cash inflow from operating activities              | 5,628                  | 6,878                  |
| Net cash outflow from investing activities             | (14,077)               | (23,933)               |
| <b>Net cash outflow from the disposal Group</b>        | <b>(8,449)</b>         | <b>(17,055)</b>        |

## (c) Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 30 June 2016:

|                                                                         | <b>30 June 2016</b><br><b>\$'000</b> |
|-------------------------------------------------------------------------|--------------------------------------|
| Assets classified as held for sale                                      |                                      |
| Trade receivables                                                       | 812                                  |
| Inventories                                                             | 14,781                               |
| Property, plant and equipment                                           | 11,398                               |
| Exploration and evaluation assets                                       | 7,704                                |
| Mine properties                                                         | 19,872                               |
| Total assets of disposal group held for sale                            | <u>54,567</u>                        |
|                                                                         |                                      |
|                                                                         | <b>30 June 2016</b><br><b>\$'000</b> |
| Liabilities directly associated with assets classified as held for sale |                                      |
| Trade and other payables                                                | 11,169                               |
| Provisions - employee benefits                                          | 7,222                                |
| Provisions - rehabilitation                                             | 23,054                               |
| Total liabilities of disposal group held for sale                       | <u>41,445</u>                        |

## 16. INTERESTS IN OTHER ENTITIES

### (a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2016 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

| Name of entity                        | Place of<br>business/ country<br>of incorporation | Ownership interest held by<br>the Group |           |
|---------------------------------------|---------------------------------------------------|-----------------------------------------|-----------|
|                                       |                                                   | 2016<br>%                               | 2015<br>% |
| Northern Star Mining Services Pty Ltd | Australia                                         | 100.0                                   | 100.0     |
| Northern Star (Kanowna) Pty Ltd       | Australia                                         | 100.0                                   | 100.0     |
| Kundana Gold Pty Ltd                  | Australia                                         | 100.0                                   | 100.0     |
| Gilt-Edged Mining Pty Ltd             | Australia                                         | 100.0                                   | 100.0     |
| EKJV Management Pty Ltd               | Australia                                         | 100.0                                   | 100.0     |
| Kanowna Mines Pty Ltd                 | Australia                                         | 100.0                                   | 100.0     |
| GKL Properties Pty Ltd                | Australia                                         | 100.0                                   | 100.0     |
| Northern Star (Tanami) Pty Ltd        | Australia                                         | 100.0                                   | -         |

All subsidiaries listed above have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information, refer to note 23.

### (b) Joint arrangements

|                            | Principal Activities      | Ownership interest held |           |
|----------------------------|---------------------------|-------------------------|-----------|
|                            |                           | 2016<br>%               | 2015<br>% |
| FMG JV                     | Exploration               | 64.43                   | 60.00     |
| Hardey Junction JV         | Exploration               | 0.00                    | 80.00     |
| Mt Clement JV              | Exploration               | 20.00                   | 20.00     |
| East Kundana Production JV | Exploration & Development | 51.00                   | 51.00     |
| Kanowna West JV            | Exploration               | 75.42                   | 70.06     |
| Kalbarra JV                | Exploration               | 62.58                   | 62.34     |
| West Kundana JV            | Exploration               | 75.50                   | 75.50     |
| Carbine East JV            | Exploration               | 0.00                    | 95.00     |
| Bryah Basin JV             | Exploration               | 0.00                    | 0.00      |
| Zebina JV                  | Exploration               | 80.00                   | 0.00      |

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 note 25.

## UNRECOGNISED ITEMS

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

### 17. COMMITMENTS

#### (a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

|                               | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|-------------------------------|------------------------|------------------------|
| Property, plant and equipment | 16,018                 | 6,481                  |

#### (b) Non-cancellable operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Company leases its corporate office under an operating lease, expiring within 1 year. The lease commenced 20 October 2014, with the end date being 9 June 2017. Lease payments are typically escalated annually reflecting market conditions and inflation.

The Company has also entered into an operating lease for the operation and maintenance of a power station for the Jundee mine site. The lease term is 10 years.

|                                                                                                                | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|----------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: |                        |                        |
| Within one year                                                                                                | 4,058                  | 1,056                  |
| Later than one year but not later than five years                                                              | 16,747                 | 1,042                  |
| Later than five years                                                                                          | 14,235                 | -                      |
|                                                                                                                | <b>35,040</b>          | <b>2,098</b>           |

*Rental expense relating to operating leases*

|                        | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|------------------------|------------------------|------------------------|
| Minimum lease payments | 1,442                  | 1,023                  |

#### (c) Gold delivery commitments

|                                                   | Gold for<br>physical<br>delivery<br><br>Ounces | Weighted<br>average<br>contracted<br>sales price<br><br>A\$ | Value of<br>committed<br>sales<br><br>\$'000 |
|---------------------------------------------------|------------------------------------------------|-------------------------------------------------------------|----------------------------------------------|
| Within one year                                   | 161,693                                        | 1,687                                                       | 272,716                                      |
| Later than one year but not later than five years | 135,500                                        | 1,797                                                       | 243,470                                      |

### 18. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the period ended 30 June 2016 the Company announced:

- a final fully franked dividend of 4 cents per share to Shareholders on the record date of 28 September 2016, payable on 13 October 2016.
- the execution of a legally-binding conditional Sale and Purchase Agreement for the Plutonic gold mine. The Company intends to declare a special dividend of 3 cents per share subject to completion as outlined in the announcement to the ASX on 15 August 2016.

## OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

### 19. RELATED PARTY TRANSACTIONS

#### (a) Subsidiaries

Interests in subsidiaries are set out in note 16(a).

## (b) Key Management Personnel compensation

|                              | 30 June 2016     | 30 June 2015     |
|------------------------------|------------------|------------------|
|                              | \$               | \$               |
| Short-term employee benefits | 3,025,572        | 2,441,755        |
| Employee entitlements        | 173,240          | 150,482          |
| Post-employment benefits     | 163,240          | 112,841          |
| Share-based payments         | 916,939          | 584,026          |
| Termination benefits         | -                | 277,093          |
|                              | <b>4,278,991</b> | <b>3,566,197</b> |

Detailed remuneration disclosures are provided in the remuneration report on pages 17 to 24.

## (c) Transactions with other related parties

### (i) Purchases from entities controlled by KMP

The Company has in place policies and procedures which govern transactions involving KMP or related parties. These policies and procedures restrict the involvement of the KMP or related party in the negotiation, awarding or direct management of the resultant contract.

The following transactions occurred with related parties:

John Fitzgerald is a Director, and:

- is a board member and has a beneficial interest in a shareholding in Optimum Capital Pty Ltd. During the year, a revenue amount of \$10,000 was paid to Optimum Capital Pty Ltd for consulting services provided at normal commercial rates (2015: \$10,000).

Bill Beament:

- has a minor beneficial interest in a shareholding of Australian Underground Drilling Pty Ltd. During the year a revenue amount of \$14,940,849 was paid to this business for drilling services at normal commercial rates (2015: \$6,952,574); and
- has a minor beneficial interest in a shareholding in Premium Mining Personnel Pty Ltd. During the year, a revenue amount of \$4,488,261 was paid to this business for supplying specialist mining labour at commercial rates (2015: \$3,979,135).

## (d) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

|                                                    | 30 June 2016     | 30 June 2015 |
|----------------------------------------------------|------------------|--------------|
|                                                    | \$               | \$           |
| Current payables (purchases of goods and services) |                  |              |
| Related entities of KMP                            | <b>2,072,390</b> | 726,589      |

## 20. SHARE-BASED PAYMENTS

### (a) Employee Option Plan

Set out below are summaries of options granted under the Employee Option Plan:

|                           | 2016                                    |                   | 2015                                    |                   |
|---------------------------|-----------------------------------------|-------------------|-----------------------------------------|-------------------|
|                           | Average exercise price per share option | Number of options | Average exercise price per share option | Number of options |
| As at 1 July              | 1.17                                    | 2,956,815         | 1.26                                    | 1,791,666         |
| Granted during the year   | 2.18                                    | 1,319,279         | 1.28                                    | 2,706,815         |
| Exercised during the year | 1.05                                    | (250,000)         | 1.29                                    | (1,541,666)       |
| Cancelled during the year | 1.73                                    | (530,947)         | -                                       | -                 |
| As at 30 June             | 1.88                                    | <b>3,495,147</b>  | 1.17                                    | 2,956,815         |

No options expired during the periods covered by the above tables.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

| Grant date       | Expiry date            | Exercise price | Share options 30 June 2016 | Share options 30 June 2015 |
|------------------|------------------------|----------------|----------------------------|----------------------------|
| 15 April 2013    | Expiring 15 April 2016 | 1.05           | -                          | 250,000                    |
| 19 November 2014 | Expiring 31 July 2017  | 1.28           | 2,338,132                  | 2,706,815                  |
| 9 July 2015      | Expiring 31 July 2018  | 2.18           | 1,157,015                  | -                          |
| Total            |                        |                | <b>3,495,147</b>           | <b>2,956,815</b>           |

(i) *Fair value of options granted*

The assessed fair value at grant date of options granted during the year ended 30 June 2016 was \$0.67 per option (2015: \$0.25). The fair value at grant date is independently determined using a Monte Carlo simulation model (market based vesting conditions) and a Black Scholes Model (non-market vesting conditions) that takes into account the exercise price, the term of the options, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying option, the expected dividend yield, the risk free rate for the term of the options and the correlations and volatilities of the peer group companies.

The model inputs for options granted during the year ended 30 June 2016 included:

- (a) Options are granted for no consideration and vest based on the Company's total Shareholder returns ("TSR") ranking within a selected peer group of companies over a three year period.
- (b) exercise price: \$2.1818 (2015 - \$1.2804)
- (c) grant date: 9 July 2015 (2015 - 14 November 2014)
- (d) expiry date: 31 July 2018 (2015 - 31 July 2017)
- (e) share price at grant date: \$2.21 (2015 - \$1.08)
- (f) expected price volatility of the company's shares: 60% (2015 - 58%)
- (g) expected dividend yield: 2.26% (2015 - 3.24%)
- (h) risk-free interest rate: 1.87% (2015 - 2.62%)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

**(b) Employee Share Plan**

Under the Employee Share Plan, eligible employees may be granted up to \$1,000 of fully paid ordinary shares in the Company annually for no cash consideration. The number of shares issued to participants in the scheme is the offer amount divided by the weighted average price at which the Company's shares are traded on the ASX during the week up to and including the date of grant. The fair value of shares issued during the year was \$5.09 (2015: \$2.26) per share.

|                                                                                                       | 2016    | 2015    |
|-------------------------------------------------------------------------------------------------------|---------|---------|
| Number of shares issued under the plan to participating employees on 29 June 2016 (2015: 27 May 2015) | 187,180 | 392,496 |

**(c) Performance Share Plan**

On 9 July 2015, 2,810,953 FY2016 performance shares were issued to KMP and other senior management of the Company at an issue price of \$2.1818. Corresponding non-recourse loans totalling \$6,132,937 were entered into in accordance with the Plan as part of their remuneration. As at 30 June 2016, non-recourse loans relating to this issue had reduced to \$6,010,058.

On 9 October 2014, 4,827,058 FY2015 performance shares were issued to KMP and other senior management of the Company at an issue price of \$1.1874 per share, with a further 212,917 shares issued on 30 March 2015 to an employee of the Company at an issue price of \$2.4549 per share. Corresponding limited recourse loans totalling \$6,254,338 were entered into with KMP and senior management in accordance with the Plan as part of their remuneration. As at 30 June 2016, non-recourse loans relating to this issued had reduced to \$5,960,580.

The loans offered are limited recourse and are secured against the performance shares held by the relevant participants. The Board may, at its discretion, agree to forgive a loan offered to a participant.

The assessed fair value at grant date of the performance shares granted during the year ended 30 June 2016 was \$0.67 per share (2015: 9 October 2014 \$0.37 and 30 March 2015 \$0.57).

The fair value at grant date is independently determined using a Monte Carlo simulation model (market based vesting conditions) and a Black Scholes Model (non-market vesting conditions) that takes into account the exercise price, the term of the performance share, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free rate for the term of the performance share and the correlations and volatilities of the peer group companies.

The model inputs for performance shares granted during the year ended 30 June 2016 and 30 June 2015 included:

|                                                 | 2016         | (2015: A)      | (2015: B)     |
|-------------------------------------------------|--------------|----------------|---------------|
| (a) exercise price                              | \$2.1818     | \$1.1874       | \$2.2459      |
| (b) grant date                                  | 9 July 2015  | 9 October 2014 | 30 March 2015 |
| (c) expiry date                                 | 30 June 2018 | 30 June 2017   | 30 June 2017  |
| (d) share price at grant date                   | \$2.21       | \$1.245        | \$2.26        |
| (e) expected volatility of the Company's shares | 60%          | 60%            | 65%           |
| (f) expected dividend yield                     | 2.26%        | 2.81%          | 2.21%         |
| (g) risk-free interest rate                     | 1.87%        | 2.63%          | 1.73%         |

The expected price volatility is based on the historic volatility (based on the remaining life of the performance share).

Total performance shares on issued at 30 June 2016 is 11,815,929 (2015: 9,004,975), with a corresponding total non-recourse loan value of \$14,533,048 (2015: 8,837,249).

## 21. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

### (a) Deloitte Touche Tohmatsu

#### (i) Audit and other assurance services

|                                                           | 2016<br>\$ | 2015<br>\$ |
|-----------------------------------------------------------|------------|------------|
| Audit and other assurance services                        |            |            |
| Audit and review of financial statements                  | 226,002    | 203,600    |
| Other assurance services                                  |            |            |
| Due diligence services                                    | 21,000     | -          |
| Total remuneration for audit and other assurance services | 247,002    | 203,600    |

#### (ii) Taxation services

|                                          |        |       |
|------------------------------------------|--------|-------|
| Taxation services                        |        |       |
| Tax consulting services                  | 55,650 | 8,400 |
| Total remuneration for taxation services | 55,650 | 8,400 |

#### (iii) Other services

|                                                |                |                |
|------------------------------------------------|----------------|----------------|
| Other services                                 |                |                |
| Other assurance services                       | -              | 15,540         |
| Total remuneration for other services          | -              | 15,540         |
| Total remuneration of Deloitte Touche Tohmatsu | 302,652        | 227,540        |
| <b>Total auditors' remuneration</b>            | <b>302,652</b> | <b>227,540</b> |

It is the Group's policy to employ Deloitte Touche Tohmatsu on assignments additional to their statutory audit duties where Deloitte Touche Tohmatsu expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where Deloitte Touche Tohmatsu is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

## 22. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company; and
- by the weighted average numbers of ordinary shares outstanding during the financial year, excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (a) Basic earnings per share

|                                                                                           | 30 June 2016<br>Cents | 30 June 2015<br>Cents |
|-------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| From continuing operations attributable to the ordinary equity holders of the company     | 27.6                  | 18.4                  |
| From discontinued operation                                                               | (2.4)                 | (2.9)                 |
| Total basic earnings per share attributable to the ordinary equity holders of the Company | 25.2                  | 15.5                  |

### (b) Diluted earnings per share

|                                                                                             | 30 June 2016<br>Cents | 30 June 2015<br>Cents |
|---------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| From continuing operations attributable to the ordinary equity holders of the company       | 27.4                  | 18.3                  |
| From discontinued operation                                                                 | (2.3)                 | (2.8)                 |
| Total diluted earnings per share attributable to the ordinary equity holders of the Company | 25.1                  | 15.5                  |

## (c) Reconciliation of earnings used in calculating earnings per share

|                                                                                                                        | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <i>Basic earnings per share</i>                                                                                        |                        |                        |
| Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share: |                        |                        |
| From continuing operations                                                                                             | 165,327                | 108,726                |
| From discontinued operation                                                                                            | (13,962)               | (16,824)               |
|                                                                                                                        | <u>151,365</u>         | <u>91,902</u>          |
| <i>Diluted earnings per share</i>                                                                                      |                        |                        |
| Profit from continuing operations attributable to the ordinary equity holders of the Company                           |                        |                        |
| Used in calculating basic earnings per share                                                                           | 165,327                | 108,726                |
| Loss from discontinued operation                                                                                       | (13,962)               | (16,824)               |
| Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share       | <u>151,365</u>         | <u>91,902</u>          |

## (d) Weighted average number of shares used as the denominator

|                                                                                                                                     | 2016<br>Number     | 2015<br>Number     |
|-------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share                          | 599,659,912        | 591,015,696        |
| Adjustments for calculation of diluted earnings per share:                                                                          |                    |                    |
| Options                                                                                                                             | 3,495,147          | 2,956,815          |
| Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share | <u>603,155,059</u> | <u>593,972,511</u> |

## 23. DEED OF CROSS GUARANTEE

Northern Star Resources Limited and the following entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others:

Closed Group:

- Northern Star Mining Services Pty Ltd;
- Northern Star (Kamowna) Pty Ltd;
- Kamowna Mines Pty Ltd;
- Gilt-Edged Mining Pty Ltd; and
- Northern Star (Tanami) Pty Ltd.

Extended Closed Group:

- GKL Properties Pty Ltd;
- Kundana Gold Pty Ltd; and
- EKJV Management Pty Ltd.

By entering into a deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies represent an 'extended closed group' for the purposes of the Class Order, which represent the entities who are parties to the deed of cross guarantee and which are controlled by Northern Star Resources Limited.

The consolidated statement of profit or loss and other comprehensive income and statement of financial position for the closed Group is materially consistent with those of the consolidated entity.

## 24. PARENT ENTITY FINANCIAL INFORMATION

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

|                                     | 30 June 2016<br>\$'000 | 30 June 2015<br>\$'000 |
|-------------------------------------|------------------------|------------------------|
| <i>Balance sheet</i>                |                        |                        |
| Current assets                      | 306,618                | 188,595                |
| Non-current assets                  | 237,765                | 248,286                |
| <b>Total assets</b>                 | <b>544,383</b>         | <b>436,881</b>         |
| Current liabilities                 | (93,138)               | (76,089)               |
| Non-current liabilities             | (215,442)              | (158,477)              |
| <b>Total liabilities</b>            | <b>(308,580)</b>       | <b>(234,566)</b>       |
| <i>Shareholders' equity</i>         |                        |                        |
| Issued capital                      | 214,950                | 204,925                |
| Reserves                            |                        |                        |
| Available-for-sale financial assets | 3,952                  | 3,179                  |
| Share-based payments                | 4,294                  | 1,781                  |
| Retained earnings                   | 12,607                 | (7,570)                |
|                                     | <b>235,803</b>         | <b>202,315</b>         |
| <b>Profit/(loss) for the year</b>   | <b>33,044</b>          | <b>(8,107)</b>         |
| <b>Total comprehensive income</b>   | <b>33,817</b>          | <b>(5,215)</b>         |

### (b) Guarantees entered into by the parent entity

Refer to note 23 for details of guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015. For information about guarantees given by the parent entity, please see above.

### (d) Contractual commitments for the acquisition of property, plant or equipment

Refer to note 17 for commitments of the Group for the acquisition of property, plant and equipment as at 30 June 2016 or 30 June 2015.

### (e) Determining the parent entity financial information

The financial information for the parent entity, Northern Star Resources Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### (i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Northern Star Resources Limited.

#### (ii) Tax consolidation legislation

Northern Star Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Northern Star Resources Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Northern Star Resources Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Northern Star Resources Limited for any current tax payable assumed and are compensated by Northern Star Resources Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Northern Star Resources Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

## 25. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Northern Star Resources Limited and its subsidiaries.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Northern Star Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

#### (i) Compliance with IFRS

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group complies with international financial reporting standards (IFRS).

#### (ii) Historical cost convention

These financial statements have been prepared under the historical cost basis, except for the following:

- available-for-sale financial assets, financial assets and liabilities (including derivative instruments); and
- assets held for sale - measured at the lower of cost and fair value less cost of disposal.

#### (iii) New and amended standards adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact of the accounting policies of the Group from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

#### (iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

| Title of standard              | Nature of change                                                                                                                                                                                             | Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Mandatory application date/ Date of adoption by Group                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AASB 9 'Financial Instruments' | AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. | <p>While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.</p> <p>The other financial assets held by the Group include:</p> <ul style="list-style-type: none"> <li>▪ equity instruments currently classified as AFS for which a FVOCI election is available,</li> <li>▪ equity investments currently measured at fair value through profit or loss (FVPL) which would likely continue to be measured on the same basis under AASB 9, and</li> </ul> <p>Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.</p> <p>There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.</p> | <p>Must be applied for financial years commencing on or after 1 January 2018.</p> <p>Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.</p> <p>The Group is currently assessing whether it should adopt AASB 9 before its mandatory date.</p> |

|                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                              |
|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <p>The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.</p> <p>The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.</p> |                                                                                                                                                                              |
| <p>AASB 15</p> <p><i>Revenue from Contracts with Customers</i></p> | <p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p> | <p>Management is currently assessing the effects of applying the new standard on the Group's financial statements</p> <p>At this stage, the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect over the next twelve months.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <p>Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption.</p> <p>Expected date of adoption by the Group: 1 January 2018.</p> |

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## (b) Principles of consolidation

### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Northern Star Resources Limited ('Company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Northern Star Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

### (ii) Joint arrangements

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Northern Star Resources Limited has only joint operations. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

#### Joint operations

Northern Star Resources Limited Limited recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 16().

## *(iii) Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Northern Star Resources Limited.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

## **(c) Foreign currency translation**

### *(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars (\$), which is Northern Star Resources Limited's functional and presentation currency.

## **(d) Impairment of assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and other intangible assets to determine whether there is any indication that those assets might be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) which is the amount by which the assets carrying value exceeds its recoverable amount. Where the asset does not generate cash in-flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses for assets other than goodwill, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

## **(e) Investments and other financial assets**

### *(i) Classification*

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. See note 8 for details about each type of financial asset.

### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables and receivables in the Statement of Financial Position.

## *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

## *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

### *(ii) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' - in profit or loss within other income or other expenses;
- for available for sale financial assets that are monetary securities denominated in a foreign currency - translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income;
- for other monetary and non-monetary securities classified as available for sale - in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of revenue from continuing operations.

### *(iii) Impairment*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

## **(f) Provision for rehabilitation**

Rehabilitation costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with the requirements of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology.

Rehabilitation costs are recognised in full at present value as a non-current liability. An equivalent amount is capitalised as part of the cost of the asset when an obligation arises to decommission or restore a site to a certain condition after abandonment as a result of bringing the assets to its present location. The capitalised cost is amortised over the life of the project and the provision is accreted periodically as the discounting of the liability unwinds. The unwinding of the discount is recorded as a finance cost.

Any changes in the estimates for the costs or other assumptions against the cost of relevant assets are accounted for on a prospective basis. In determining the costs of site restoration there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

## **(g) Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## **(h) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

In the Directors' opinion:

1. (a) the financial statements and notes set out on pages 27 to 66 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 30 June 2016 and of its performance for the financial year ended 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; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 23 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 described in note 23.

Note 25(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made with a resolution of the Directors.



**BILL BEAMENT**  
**Managing Director**

Perth, Western Australia  
19 August 2016



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

### Report on the Financial Report

We have audited the accompanying financial report of Northern Star Resources Limited which comprises the statement of financial position as at 30 June 2016 the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 28 to 67.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 25, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the consolidated financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

## Deloitte

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Auditor's Independence Declaration*

In conducting our audit, 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 report.

### *Opinion*

In our opinion:

- (a) the financial report of Northern Star Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 25.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 17 to 24 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Opinion*

In our opinion the Remuneration Report of Northern Star Resources Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



David Newman  
Partner  
Chartered Accountants  
Perth, 19 August 2016

The following additional information required by the ASX Listing Rules is current as at 18 August 2016

## EQUITY SECURITIES HOLDER INFORMATION

### Ordinary Shares

600,542,315 quoted fully paid ordinary shares (NST). All ordinary shares carry one vote per share.

| Distribution of Fully Paid Ordinary Shares | No of Holders | No of Shares       | % of Issued Capital |
|--------------------------------------------|---------------|--------------------|---------------------|
| 1 - 1,000                                  | 4,597         | 2,473,994          | 0.412               |
| 1,001 - 5,000                              | 4,239         | 11,430,760         | 1.903               |
| 5,001 - 10,000                             | 1,469         | 11,553,617         | 1.924               |
| 10,001 - 100,000                           | 1,801         | 49,837,457         | 8.299               |
| 100,000+                                   | 235           | 525,246,487        | 87.462              |
| <b>Total Holders</b>                       | <b>12,341</b> | <b>600,542,315</b> | <b>100.000</b>      |

426 Shareholders held less than a marketable parcel (<\$500) of ordinary fully paid shares.

| Twenty Largest Holders of Ordinary Fully Paid Shares |                                                                   | No of Shares       | % Issued Capital |
|------------------------------------------------------|-------------------------------------------------------------------|--------------------|------------------|
| 1.                                                   | HSBC Custody Nominees (Australia) Limited                         | 148,040,081        | 24.65            |
| 2.                                                   | National Nominees Limited                                         | 115,632,116        | 19.25            |
| 3.                                                   | J P Morgan Nominees Australia Limited                             | 106,088,604        | 17.67            |
| 4.                                                   | Citicorp Nominees Pty Limited                                     | 41,359,655         | 6.89             |
| 5.                                                   | BNP Paribas Noms Pty Ltd <DRP>                                    | 12,722,605         | 2.12             |
| 6.                                                   | Mr William James Beament <The Beament Family A/C>                 | 7,637,709          | 1.27             |
| 7.                                                   | HSBC Custody Nominees (Australia) Ltd <NT-Commonwealth Super A/C> | 4,930,835          | 0.82             |
| 8.                                                   | William James Beament                                             | 2,952,003          | 0.49             |
| 9.                                                   | RBC Investor Services Australia Nominees Pty Limited              | 2,553,242          | 0.43             |
| 10.                                                  | National Nominees Limited <DB A/C>                                | 2,498,852          | 0.42             |
| 11.                                                  | Mr Hendrius Petrus Indrisie                                       | 2,011,628          | 0.33             |
| 12.                                                  | Wyllie Group Pty Ltd                                              | 2,000,000          | 0.33             |
| 13.                                                  | HSBC Custody Nominees (Australia) Limited - A/C 2                 | 1,940,582          | 0.32             |
| 14.                                                  | AMP Life Limited                                                  | 1,824,056          | 0.30             |
| 15.                                                  | Stuart Peter Tonkin                                               | 1,802,655          | 0.30             |
| 16.                                                  | Citicorp Nominees Pty Limited <Colonial First State Inv A/C>      | 1,794,722          | 0.30             |
| 17.                                                  | HSBC Custody Nominees (Australia) Limited - GSCO ECA              | 1,788,307          | 0.30             |
| 18.                                                  | BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>             | 1,612,568          | 0.27             |
| 19.                                                  | Mr Christopher Kenneth George Rowe                                | 1,500,000          | 0.25             |
| 20.                                                  | Marich Nominees Pty Ltd <R Marich Superannuation A/C>             | 1,265,100          | 0.21             |
| <b>TOTAL</b>                                         |                                                                   | <b>461,955,320</b> | <b>76.92</b>     |

### Options

3,237,737 unlisted options with various exercise prices and expiry dates (refer table below). Options do not carry a right to vote. Voting rights will be attached to the unissued shares when the options have been exercised.

| Expiry Date | No of Options | Exercise Price | No of Holders | Holding >20%                           |
|-------------|---------------|----------------|---------------|----------------------------------------|
| 31/7/2017   | 2,159,414     | \$1.2804       | 25            | Issued under employee incentive scheme |
| 31/7/2018   | 1,078,323     | \$2.1818       | 29            | Issued under employee incentive scheme |

### Substantial Shareholders

The substantial Shareholders as disclosed in the substantial shareholding notices received by the Company are:

| Name                           | No of Shares | Holding |
|--------------------------------|--------------|---------|
| BlackRock Group                | 52,064,145   | 8.67%   |
| Van Eck Associates Corporation | 33,963,278   | 5.66%   |
| Vinva Investment Management    | 30,060,147   | 5.01%   |

### Restricted Securities

The following securities are held in escrow:

Ordinary Shares: 12,305,155  
Unlisted Options: 3,237,737

### On-Market Buy-Back

Currently there is no on-market buy-back of the Company's securities.



[illegible]

| Tenement | Interest | Project and Location         | NST Status            |
|----------|----------|------------------------------|-----------------------|
| P27/1835 | 77.23%   | Kanowna West JV - Kalgoorlie | Earning -In           |
| P27/1836 | 77.23%   | Kanowna West JV - Kalgoorlie | Earning -In           |
| P27/1837 | 77.23%   | Kanowna West JV - Kalgoorlie | Earning -In           |
| P27/1838 | 77.23%   | Kanowna West JV - Kalgoorlie | Earning -In           |
| P27/1839 | 77.23%   | Kanowna West JV - Kalgoorlie | Earning -In           |
| P27/1840 | 77.23%   | Kanowna West JV - Kalgoorlie | Earning -In           |
| P27/1841 | 77.23%   | Kanowna West JV - Kalgoorlie | Earning -In           |
| P27/1842 | 77.23%   | Kanowna West JV - Kalgoorlie | Earning -In           |
| E24/151  | 80%      | KRGP- Kalgoorlie             | Holder                |
| P24/4146 | 80%      | KRGP- Kalgoorlie             | Holder                |
| P24/4149 | 80%      | KRGP- Kalgoorlie             | Holder                |
| P26/3979 | 80%      | KRGP- Kalgoorlie             | Holder                |
| P26/3980 | 80%      | KRGP- Kalgoorlie             | Holder                |
| P26/3981 | 80%      | KRGP- Kalgoorlie             | Holder                |
| P26/3982 | 80%      | KRGP- Kalgoorlie             | Holder                |
| P26/3983 | 80%      | KRGP- Kalgoorlie             | Holder                |
| P27/1743 | 80%      | KRGP- Kalgoorlie             | Holder                |
| E24/152  | 100%     | Kundana - Kalgoorlie         | Holder                |
| E24/153  | 100%     | Kundana - Kalgoorlie         | Holder                |
| E26/140  | 100%     | Kundana - Kalgoorlie         | Holder                |
| E26/194  | 100%     | Kundana - Kalgoorlie         | Holder                |
| L16/104  | 100%     | Kundana - Kalgoorlie         | Holder                |
| L16/105  | 100%     | Kundana - Kalgoorlie         | Holder                |
| L16/106  | 100%     | Kundana - Kalgoorlie         | Holder                |
| L16/28   | 100%     | Kundana - Kalgoorlie         | Holder                |
| L16/38   | 100%     | Kundana - Kalgoorlie         | Holder                |
| L16/39   | 100%     | Kundana - Kalgoorlie         | Holder                |
| L16/69   | 100%     | Kundana - Kalgoorlie         | Holder                |
| L24/205  | 100%     | Kundana - Kalgoorlie         | Holder                |
| L24/206  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M15/1351 | 100%     | Kundana - Kalgoorlie         | Holder                |
| M15/669  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M16/157  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M16/260  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M16/366  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M16/367  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M16/408  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M16/436  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M16/438  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M16/440  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M16/441  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M16/72   | 100%     | Kundana - Kalgoorlie         | Holder                |
| M16/73   | 100%     | Kundana - Kalgoorlie         | Holder                |
| M16/74   | 100%     | Kundana - Kalgoorlie         | Holder                |
| M16/75   | 100%     | Kundana - Kalgoorlie         | Holder                |
| M16/87   | 100%     | Kundana - Kalgoorlie         | Holder                |
| m16/97   | 100%     | Kundana - Kalgoorlie         | Holder                |
| M24/142  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M24/435  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M24/606  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M24/626  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M26/680  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M26/681  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M26/687  | 100%     | Kundana - Kalgoorlie         | Holder                |
| M26/688  | 100%     | Kundana - Kalgoorlie         | Holder                |
| P16/2575 | 100%     | Kundana - Kalgoorlie         | Holder                |
| P24/4229 | 100%     | Kundana - Kalgoorlie         | Holder                |
| P24/4230 | 100%     | Kundana - Kalgoorlie         | Holder                |
| P24/4236 | 100%     | Kundana - Kalgoorlie         | Holder                |
| P24/4969 | 100%     | Kundana - Kalgoorlie         | Holder                |
| P24/4970 | 100%     | Kundana - Kalgoorlie         | Holder                |
| P24/4971 | 100%     | Kundana - Kalgoorlie         | Holder                |
| P24/4972 | 100%     | Kundana - Kalgoorlie         | Holder                |
| P26/3574 | 100%     | Kundana - Kalgoorlie         | Holder                |
| M08/191  | 20%      | Mt Clement - Ashburton       | Free-Carried Interest |
| M08/192  | 20%      | Mt Clement - Ashburton       | Free-Carried Interest |
| M08/193  | 20%      | Mt Clement - Ashburton       | Free-Carried Interest |
| E52/1941 | 100%     | Mt Olympus - Ashburton       | Holder                |
| E52/3024 | 100%     | Mt Olympus - Ashburton       | Holder                |
| E52/3025 | 100%     | Mt Olympus - Ashburton       | Holder                |
| E52/3026 | 100%     | Mt Olympus - Ashburton       | Holder                |
| M52/639  | 100%     | Mt Olympus - Ashburton       | Holder                |
| M52/640  | 100%     | Mt Olympus - Ashburton       | Holder                |
| M52/734  | 100%     | Mt Olympus - Ashburton       | Holder                |
| M52/735  | 100%     | Mt Olympus - Ashburton       | Holder                |
| E08/1649 | 100%     | Paulsens - Ashburton         | Holder                |
| E08/1744 | 100%     | Paulsens - Ashburton         | Holder                |
| E08/1745 | 100%     | Paulsens - Ashburton         | Holder                |
| E08/1845 | 100%     | Paulsens - Ashburton         | Holder                |
| E08/2251 | 100%     | Paulsens - Ashburton         | Holder                |
| E08/2252 | 100%     | Paulsens - Ashburton         | Holder                |
| E08/2555 | 100%     | Paulsens - Ashburton         | Holder                |
| E08/2556 | 100%     | Paulsens - Ashburton         | Holder                |
| E08/2558 | 100%     | Paulsens - Ashburton         | Holder                |
| E08/2559 | 100%     | Paulsens - Ashburton         | Holder                |
| E08/2560 | 100%     | Paulsens - Ashburton         | Holder                |
| E08/2655 | 100%     | Paulsens - Ashburton         | Holder                |
| E08/2716 | 100%     | Paulsens - Ashburton         | Holder                |
| E08/2791 | 100%     | Paulsens - Ashburton         | Holder                |
| E47/1134 | 100%     | Paulsens - Ashburton         | Holder                |
| E47/1553 | 100%     | Paulsens - Ashburton         | Holder                |
| E47/3396 | 100%     | Paulsens - Ashburton         | Holder                |
| L08/113  | 100%     | Paulsens - Ashburton         | Holder                |
| L08/12   | 100%     | Paulsens - Ashburton         | Holder                |
| L08/13   | 100%     | Paulsens - Ashburton         | Holder                |

| Tenement | Interest | Project and Location | NST Status |
|----------|----------|----------------------|------------|
| L52/41   | 100%     | Plutonic - Peak Hill | Holder     |
| L52/48   | 100%     | Plutonic - Peak Hill | Holder     |
| L52/52   | 100%     | Plutonic - Peak Hill | Holder     |
| L52/54   | 100%     | Plutonic - Peak Hill | Holder     |
| L52/55   | 100%     | Plutonic - Peak Hill | Holder     |
| L52/56   | 100%     | Plutonic - Peak Hill | Holder     |
| L52/70   | 100%     | Plutonic - Peak Hill | Holder     |
| L52/71   | 100%     | Plutonic - Peak Hill | Holder     |
| L52/74   | 100%     | Plutonic - Peak Hill | Holder     |
| M52/148  | 100%     | Plutonic - Peak Hill | Holder     |
| M52/149  | 100%     | Plutonic - Peak Hill | Holder     |
| M52/150  | 100%     | Plutonic - Peak Hill | Holder     |
| M52/170  | 100%     | Plutonic - Peak Hill | Holder     |
| M52/171  | 100%     | Plutonic - Peak Hill | Holder     |
| M52/222  | 100%     | Plutonic - Peak Hill | Holder     |
| M52/223  | 100%     | Plutonic - Peak Hill | Holder     |
| M52/253  | 100%     | Plutonic - Peak Hill | Holder     |
| M52/263  | 100%     | Plutonic - Peak Hill | Holder     |
| M52/264  | 100%     | Plutonic - Peak Hill | Holder     |

| Tenement | Interest | Project and Location         | NST Status          |
|----------|----------|------------------------------|---------------------|
| M52/289  | 100%     | Plutonic - Peak Hill         | Holder              |
| M52/295  | 100%     | Plutonic - Peak Hill         | Holder              |
| M52/296  | 100%     | Plutonic - Peak Hill         | Holder              |
| M52/300  | 100%     | Plutonic - Peak Hill         | Holder              |
| M52/301  | 100%     | Plutonic - Peak Hill         | Holder              |
| M52/308  | 100%     | Plutonic - Peak Hill         | Holder              |
| M52/309  | 100%     | Plutonic - Peak Hill         | Holder              |
| M52/395  | 100%     | Plutonic - Peak Hill         | Holder              |
| M52/590  | 100%     | Plutonic - Peak Hill         | Holder              |
| M52/591  | 100%     | Plutonic - Peak Hill         | Holder              |
| M52/592  | 100%     | Plutonic - Peak Hill         | Holder              |
| M52/670  | 100%     | Plutonic - Peak Hill         | Holder              |
| M52/671  | 100%     | Plutonic - Peak Hill         | Holder              |
| M52/672  | 100%     | Plutonic - Peak Hill         | Holder              |
| P52/1394 | 100%     | Plutonic - Peak Hill         | Holder              |
| M16/213  | 77.23%   | West Kundana - Kalgoorlie JV | Holder & Earning-In |
| M16/214  | 77.23%   | West Kundana - Kalgoorlie JV | Holder & Earning-In |
| M16/218  | 77.23%   | West Kundana - Kalgoorlie JV | Holder & Earning-In |
| M16/310  | 77.23%   | West Kundana - Kalgoorlie JV | Holder & Earning-In |

