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Northern Star Resources

Information current as at 1 August 2023

What are the main business activities?

Northern Star Resources is a large Australian gold mining company with a portfolio of underground and open pit gold mines with operations in Western Australia and North America. The company’s gold operations are divided into three hubs: Yandal and Kalgoorlie in Western Australia and Pogo in Alaska. The company operates in low-risk geographies of Australia and North America.

Northern Star Resources has built a portfolio of high-quality and revenue generating mining operations by reducing operating costs and spending on exploration to extend the mine life across their strategically acquired operations. The majority of the company’s earnings come from Western Australia from the Yandal and Kalgoorlie hubs.

Why is this firm attractive to its customers?

Northern Star Resources’ key mission is to generate superior returns for shareholders, while providing positive benefits to stakeholders, through operational effectiveness, exploration and active management of their portfolio of mines.

Value-creating strategies used by Northern Star include the following: -

- Reliable delivery of production with a focus on low costs
- Efficient use of capital, balancing re-investment and returns to shareholders
- Sustainable discovery and mine life extension
- Active management of mines
- Sustainable employee, environmental, social and governance (ESG) performance

ESG observations

(E) - Northern Star Resources is reducing their carbon footprint in operations by cutting fossil fuels (diesel and natural gas) which dominate, resulting in 931kt CO₂-e emissions in 2020. These fuels are used for on-site electricity generation for off-grid assets, backup power generation for assets on the grid and running mobile fleet. Northern Star has developed a decarbonisation roadmap which, in the medium-term, focuses on the reduction of fossil fuels moving to electricity generated by renewables. Longer term, Northern Star is looking to battery storage and ways to replace diesel fuel in mobile fleets.



(G) - Northern Star Resources conducts a skills matrix self-assessment on diversity to identify any gaps in achieving its strategic objectives. Northern Star female board participation has increased from 33% to 38% at the end of FY2023.

Why does the portfolio hold this stock?

Since 1967 when inflation was above 3% Australian All Ords had negative real price returns but gold beat inflation by 0.3% per month. Since money printing era began with default of Lehman's in 2009, the average real gold price¹ has been US\$1600/oz. Over the last five years gold equities have been defensive with a beta of 0.46 and a downside capture of better than 46%. Gold historically is defensive against high and rising inflation, defensive currency against money printing and defensive if markets fall.

Northern Star Resources is a quality gold miner with longer asset lives and higher margins than many industry peers. The company's approach to reducing operating costs through optimized operations has been replicated over many acquired assets – leading to longer asset lives. Reducing operating costs also increases the value of exploration dollars.

Northern Star Resources is attractively valued relative to peers, as they look to continue to extract synergies from the merger with Saracen Mining, particularly the optimization of the "Super Pit (KCGM)" mine.

Northern Star Resources has a diverse portfolio of producing assets, providing a more stable operational outcome than most of the Australian listed gold peers (who tend to have a small number of operating mines).

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¹ *Real price as of August 2021