

NORTHERN STAR SIGNS LEGALLY-BINDING AGREEMENT TO SELL PLUTONIC GOLD MINE

Sale to fund special dividend of 3¢, fully-franked

KEY POINTS

- ▶ Northern Star has signed a legally-binding conditional Sale and Purchase Agreement for its Plutonic gold mine
- ▶ Sale terms comprise cash and scrip, and contingent payments, with a combined value of up to A\$66.2m
- ▶ At completion Northern Star intends to declare a special dividend of 3¢ a share, fully-franked at a total cost of A\$18m; the Company had cash and equivalents of A\$326m at 30 June 2016 and no debt
- ▶ Deal puts Northern Star on track to produce 485,000-515,000oz in FY17 at an all-in sustaining cost of A\$1,000-A\$1,050/oz
- ▶ The transaction is on strong commercial terms for Northern Star Shareholders, with Northern Star retaining significant exposure to future production and exploration success at Plutonic
- ▶ The sale is part of Northern Star's strategy to focus on its four concentrated operational centres of Kalgoorlie, Jundee, Central Tanami and Paulsens, each with significant production scale and extensive organic growth prospects
- ▶ The transaction also achieves Northern Star's key goal of managing its asset base in a manner which maximises financial returns, not headline production figures
- ▶ Northern Star now aiming to grow its annual production rate to 600,000oz in CY2018

Northern Star Resources Limited (ASX: NST) is pleased to advise that it has signed a legally-binding conditional sale and purchase agreement to sell its Plutonic gold mine in WA.

The terms contained in the Sale and Purchase agreement are substantially in line with those contained in Northern Star's ASX release of 1 August 2016. They are also contained in Appendix A attached to this release.

These sale terms comprise cash and scrip with a combined value of A\$46.2 million plus contingent consideration of up to \$20m.

At completion of the sale targeted for 30 September 2016, Northern Star intends to declare the record and payment dates for a special fully-franked dividend of 3¢ a share.

As a result of the sale, Northern Star's production guidance for the current financial year is 485,000-515,000oz at an all-in sustaining cost of A\$1,000-A\$1,050/oz (US\$728-765/oz)*. This consolidates Northern Star's position as one of the lowest-cost producers among the Top-25 gold miners in the world.

Northern Star's production will now come from the three concentrated centres of Jundee, Kalgoorlie and Paulsens (refer to table below).

FY2017	Production		AISC	
	Oz	Oz	AUD/oz	AUD/oz
Guidance Range				
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
NST	485,000	515,000	1,000	1,050

ASX ANNOUNCEMENT 15 August 2016

Australian Securities
Exchange Code: NST

Board of Directors

Mr Chris Rowe
Non-Executive Chairman

Mr Bill Beament
Managing Director

Mr Peter O'Connor
Non-Executive Director

Mr John Fitzgerald
Non-Executive Director

Ms Liza Carpene
Company Secretary

Issued Capital

Shares 600 million
Options 3.2 million

Current Share Price A\$4.79

Market Capitalisation
A\$2.88 billion

Cash and Equivalents
30 June 2016 - A\$326 million

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Northern Star now aims to reach an annual production rate of ~600,000oz in CY2018 compared with its previous target of ~700,000oz, of which Plutonic was to contribute 100,000oz.

Plutonic has been sold as a going concern to an Australian company Billabong Gold Pty Ltd controlled by Toronto-based mining executive Chris Bradbrook. Chris was the founder of TSX listed New Gold Inc. (NGD:TSX) and Crocodile Gold (now TSX listed Newmarket Gold Inc. – NMI:TSX). The buyer's intention following completion is to list Billabong's parent company on the Toronto Stock Exchange or the TSX Venture Exchange.

Under the terms of the sale, Northern Star will emerge as a significant shareholder in this publicly-listed company, giving it an ongoing exposure to the project's future production and exploration success.

Northern Star Managing Director Bill Beament said the sale represented an outstanding result for the Company on every level.

"The terms of the sale are attractive for Northern Star Shareholders both in terms of the price we have received and the continuing exposure we have to Plutonic's growth," Mr Beament said.

"It also allows us to focus our resources on our four concentrated centres while maintaining downward pressure on our already-low overall cost profile."

Yours faithfully



BILL BEAMENT
Managing Director
Northern Star Resources Limited

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Forward Looking Statements

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Annexure A

Pursuant to a legally-binding conditional sale and purchase agreement dated 12 August 2016 with Billabong Gold Pty Ltd (**SPA**), Northern Star has agreed to sell the Plutonic gold operations as a going concern to Billabong Gold Pty Ltd subject to satisfaction of conditions including FIRB, Ministerial consents, third party consents in respect of non-material rights over the Plutonic tenements, Billabong Gold finance for the completion cash payment and Northern Star achieving minimum production levels within certain cash operating costs for June, July and August 2016. Billabong Gold will pay Northern Star:

- A\$12.5 million cash payment at completion of the SPA;
- if Billabong Gold's parent 2525908 Ontario Inc is listed on TSX or TSX-V at completion or lists up to six months after completion of the SPA, it will issue shares to Northern Star to the value of A\$25 million at the "Go Public" issue price, or, shares delivering 33% interest to Northern Star (whichever is greater) plus one board seat;
- if Billabong Gold's parent is listed on TSX or TSX-V 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 (the Black-Scholes value of the warrants is in the range of A\$4 million to A\$8 million);
- if Billabong Gold's parent is not listed on the TSX or TSX-V within six months of completion, a cash payment of A\$25 million will be paid in lieu of the shares and warrants;
- Milestone payment 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) identified by Billabong Gold on the Project tenements as at 30 June 2016 in excess of 1,717,000oz¹ 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. Billabong Gold will be entitled to buy the royalty earlier for A\$6.5 million.

The parties are targeting completion for 30 September 2016.

¹ Previously reported as 1,694,000oz as at 23 February 2016.