

## Attention ASX Company Announcements Platform Lodgement of Open Briefing



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Independence Group NL recently announced that it had recorded production of 2,847 tonnes of contained nickel for the quarter ended 31 December 2004, up 53% from the previous quarter. Can you explain how you've increased production? Has Victor South reached capacity?

**MD Chris Bonwick**

Increased production is the direct result of the development of the Victor South ore body, leading to increased tonnages at a higher grade. Essentially, we've increased the capacity of the operation by adding extra working areas into the mining schedule. The output for Victor South will fluctuate while the limits of the various ore surfaces are defined by development. Once stoping activities commence, an increase in production from this area will follow.

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Cash operating costs for the quarter were A\$2.65 per pound of contained nickel, down 30% on the previous quarter. Independence has recently pursued several operating cost reduction initiatives. Can you explain the influence of these initiatives? Can you explain the impact of mined grade on production and operating costs in the December quarter?

**MD Chris Bonwick**

The operating costs were 14% below budget for the quarter. The extra metal produced translated into exceptional unit costs - we believe we were the lowest cost underground nickel sulphide producer in Australia for the December quarter.

The higher grade reflects that predicted by the ore block model and mining schedule.

Our own shotcrete plant is now in operation and that is saving on ground support costs. We're recirculating ground water at Victor South and that has reduced our fresh water consumption. There were a number of other cost saving initiatives which all contributed to the improved cash cost.

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In light of the recent strong performance, will you revise your longer term production or cash operating cost targets?

**MD Chris Bonwick**

Our objective is to deliver on our budgeted physical and financial parameters. However, there will be periods such as in the December quarter when we outperform the budget because everything comes together. Those who have been in the industry for a long time would recognise that these purple patches should be seen as rewards for the hard work but not necessarily used as the sole basis for revising our forecasts.

We try to be realistic with our forecasts so that we can expect to meet our production hurdles through the year. Although we produced extra metal in the December quarter, we're sticking to our full year budget.

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In late November 2004, Independence announced that it had acquired a 19.96% stake in Matrix Metals Limited. You stated in your December quarterly report that the initial feasibility results released by Matrix indicate that further work is required to improve the economics of the project. Do you believe the investment fundamentals and growth prospects for Matrix are as strong as when you purchased the stake?

**MD Chris Bonwick**

Soon after we purchased the stake in Matrix Metals, I visited their operations around the Mt Isa district for several days. My conclusion was that the exploration upside was actually far better than our work had indicated before we purchased the stake. Matrix has a very strategic land holding with numerous copper oxide prospects. Some have been drilled but many haven't and the exploration to date indicates the potential to host large areas of copper mineralisation in a number of locations, which are additional to those projects defined to date.

We were disappointed with Matrix's recent ASX announcement on the results of the initial feasibility study for the White Range Copper Project (100%) but Matrix has indicated that the project can be improved by lowering the capital and operating costs. The potential savings includes lowering the mine strip ratio - for example by including some of the satellite ore bodies. We were very pleased to read that Matrix is confident about the metallurgical side of the project because that was probably our greatest concern before we purchased our stake.

Overall, we are confident that the economics of the White Range project can be improved but also that Matrix's exploration ground offers substantial valuation upside, and the fact that Matrix has a strong cash position (approximately \$18 million in cash) means that this upside should be capable of being realised over time. An assessment of the Mt Watson copper project has yet to emerge – this could have better economics than White Range as a first-up mine.

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Can you talk about some of the broad corporate objectives or longer term strategy that Independence is pursuing?

**MD Chris Bonwick**

Our primary objective is to continue to reward shareholders through share price and dividend growth. To achieve that objective, our strategy involves diversification into other commodities, such as the Matrix investment, progressing exploration on our nickel and gold regional projects and also by growing our nickel operations. We want to grow by both exploration and corporate initiatives with the aim of becoming a mid-sized diversified Australian mining company.

There has been little investment in the mining industry up until a year or so ago and, combined with recent takeover activity, there are very few mining companies left in the mid-cap sector. It provides an opportunity for companies like Independence that have strong cash flow, clear corporate objectives and long term growth plans, to fill this void.

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Independence has grown in production and market capitalisation over the last year or so. Has that attracted a wider range of investors? What interest are you getting from overseas?

**MD Chris Bonwick**

Over the last 12 months our share register has changed dramatically. Ranger Minerals owned over 30% of our shares but these were sold off during the last year after it merged with Perilya. That really opened up our register and we now have over 30 institutions on our books mainly in Australia but also in New Zealand and in London.

We are very keen to increase our London and European investor base. We've visited Europe twice recently and received a very favourable hearing. We believe that Independence offers investors a strong growth profile. I suspect that London investors are looking for the next "Consolidated Minerals" type of story, which is listed on AIM and is generating a level of growth, cash and dividends that attracts international investors.

One of our corporate objectives is to be in the top tier of world mining companies in terms of return on shareholder funds. As an expanding low-cost nickel producer with strong cash flow generation and an exciting exploration portfolio, we believe that Independence has the attributes to appeal to an international investor base.

We believe that Independence is one of the most transparent mining companies in the business. We publish a comprehensive cost and production report in each quarterly report. We're also very conservative with our accounting policies. We are aggressive with our exploration expenditure write off each quarter. We also believe that much of the development work we undertake could potentially be capitalised, but we prefer to take as conservative approach as possible. We take the same approach with our budgets. We try to make sure they are realistic and achievable and to date we've been successful in achieving them.

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Independence has had great success in mining areas out of the current reserve base and, in the current quarter, mined 762 nickel tonnes outside or in excess of ore reserves. Is it safe to assume that will continue in the longer term?

**MD Chris Bonwick**

Mining outside the current reserves has been possible for two main reasons - taking advantage of the absence of drilling in a highly endowed ore body and coupling this with some smart geological work. We have also been able to include previously abandoned stoping areas in the mining schedule, by using techniques such as shotcrete and remote ore extraction.

We expect to be able to continue with this approach and it's reasonable to expect that we'll continue to mine additional ore from outside reserves in the future.

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You've stated that one of the most exciting areas for mine site exploration has been at Long South. You're now conducting underground exploration drilling from the new decline. How successful is that proving to be? Can you explain the significance of the conductor intersected 230 metres south of the Long mine?

**MD Chris Bonwick**

We commenced the Long South decline in the December quarter with the aim of providing a drilling platform to test for extensions to Long, south of the current workings. The decline has been developed to a length of 160 metres to date and we expect around 1,300 metres in total (including cross cut development) until we reach the main Long South target, where previous drilling has returned some encouraging nickel intercepts. Drilling is much easier and more cost-effective from the decline than from surface or the Victor South workings. We hope to get some good exploration results over the next few months.

Before commencing the decline we started drilling to identify the position of the basalt/ ultramafic contact. A down-hole TEM survey located a conductor about 230 metres south of the Long Mine. The conductor lies within the interpreted lava channel so it could be nickel sulphides but it also could be sulphidic or graphitic metasediments and we really won't know until we drill it, which we hope to do in the current quarter.

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In September 2004, Independence announced a significant upgrade in reserves to 48,300 tonnes of nickel metal. Resources stood at 81,200 tonnes of nickel metal. At that time you considered there was scope to lift reserves to 60,000 tonnes. What's your latest view? Are you working to any time frame?

**MD Chris Bonwick**

We're consistently looking at new areas both at Long and elsewhere where we can convert resources to reserves. We stated in the last quarterly that we're developing out to two areas currently in the resource category to prove them up into reserves.

We're also continuing a systematic TEM and drilling program in Long looking for new ore blocks and we're finding new nickel sulphide mineralisation. We're also finding new areas outside the 30 June 2004 reserve figure.

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Similarly, can you give your current expectations on resource extension prospects?

**MD Chris Bonwick**

There is potential to find new resources at Long South and Victor South. We've located conductors and intercepts at Long South and also from our work south of Victor South. In both these areas we think there's a good chance that we can quickly add to the resource base and eventually translate that into reserves.

Even in the higher levels around Long, we've hit sulphides that are outside the old resource model and we will probe those holes to see if we can find economic ore.

At Victor South we're currently developing a decline which will give us better access to drill the targets to the south. Similarly as we decline out toward the Long South target, we'll be running systematic geophysics and drilling and hopefully we can find some mineralisation such as that possibly indicated by the first EM anomaly I mentioned before.

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Which of your greenfield gold or nickel exploration projects are giving you most encouragement? Were any significant results obtained during the quarter?

**MD Chris Bonwick**

We have a number of regional gold and nickel plays that are quite exciting. We're looking forward to more results from the nickel exploration because there hasn't been that much nickel exploration in Australia over the last 25 to 30 years and we've been able to tie up some very large prospective areas. Of particular interest are our two joint ventures with Cullen (IGO earning 65-70%) and South Boulder (IGO earning 70%) where we have some very large geochemical anomalies and also moderately strong ground EM targets. We're hoping to commence drilling those this quarter. This region is emerging as an important new nickel-copper-platinoid province as seen by recent announcements by WMC Resources and Falcon Minerals.

On the regional gold exploration, we have found a major new gold-bearing hydrothermal system at the Goldsworthy JV (IGO 80%). The system is all under cover and we're getting grades of up to 7 g/t Au in the shear zones. We've just flown an aeromagnetic survey to look for bends and kinks in these shear zones, which are 40 to 50 km long, where there could be economic deposits. There seems to be a lot of hydrothermal solution in the areas we have already drilled and that usually results in gold mineralisation. We hope that somewhere along those fault lines there is an economic concentration.

Other gold prospects with strong geochemical anomalies we hope to test in the next six months are the Dalwallinu Gold Project (IGO 100%) which has large gold anomalies coming up through farmers' fields south of Mt Gibson, and at Mt Padbury (IGO 90%) where we've located some strong gold geochemical anomalies and rock chips up to a few grams per tonne - again in an area that has never been drilled.

In the Leonora area the intercepts we have from previous drilling and the strong associated geochemical anomalies associated with them makes it look interesting and near Murrin Murrin we also have identified some strong surface gold anomalies. Finally, the Tropicana East JV (IGO diluting to 30%) is continuing to show great promise. AngloGold Ashanti has been diamond drilling to determine whether the gold system is related to strong pyrite alteration. They're getting some wide intersections of low grade gold mineralisation, and other large gold anomalies have been identified in the project area from sampling and by shallow drilling.

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Thank you Chris.

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For further information on Independence Group please visit [www.igo.com.au](http://www.igo.com.au) or call Chris Bonwick on (08) 9367 2755.

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