

# INDEPENDENCE GROUP NL

Half Year Results Presentation 1H17

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- All currency amounts in Australian Dollars unless otherwise noted.
- Cash Costs are reported inclusive of Royalties and after by-product credits on per unit of payable metal basis, unless otherwise stated
- IGO reports All-in Sustaining Costs (AISC) per ounce of gold for its 30% interest in the Tropicana Gold Mine using the World Gold Council guidelines for AISC. The World Gold Council guidelines publication was released via press release on 27 June 2013 and is available from the World Gold Council’s website.
- Underlying EBITDA is a non-IFRS measure and comprises net profit or loss after tax, adjusted to exclude tax expense, finance costs, interest income, asset impairments, depreciation and amortisation, and once-off transaction costs.
- Underlying NPAT comprises net profit (loss) after tax adjusted for; post tax effect of acquisition and integration costs, and impairments.

# First Half highlights

**Strong First Half with significant milestones achieved**



**Continued improvement in safety record with LTIFR at 1.2**

**Gold and base metals prices generally stronger YoY**

**Tropicana and Long production and cash costs beat guidance**

**Tropicana value enhancement delivers +75% NPV uplift – more to come**

**Jaguar results mixed – work to increase scale and mine life underway**

**Nova first concentrate produced and shipped**

**Earnings stronger and 1 cent per share interim dividend declared**

# Financial results

## Group results relative to corresponding period



A\$M	Revenue	Underlying EBITDA <sup>(2)</sup>	NPAT	Net cash flow from operations	Underlying FCF <sup>(3)</sup>	Cash	Debt
1H16	218.8	68.1	(77.8)	50.1	(43.6)	58.9	200.1
1H17	223.1	81.8	20.2	25.6	(49.3)	109.2	200.0
Change %	2%	20%	n/a	(49%)	(13%)	85%	0%

### Results drivers relative to previous corresponding period

- Realised metal prices: nickel ↑20%, zinc ↑44%, copper ↓9% and gold ↑5%
- Metal production: nickel ↓6%, zinc ↓10%, copper ↓4% and gold ↓10%
- Cash costs: Long ↓19%, Jaguar ↑15% and Tropicana ↑31%
- Exploration expenditure reduced by 54%
- 1H17 one off costs for stamp duty taxes of A\$58M and Windward acquisition of A\$17M<sup>(1)</sup>
- All surface infrastructure complete at Nova

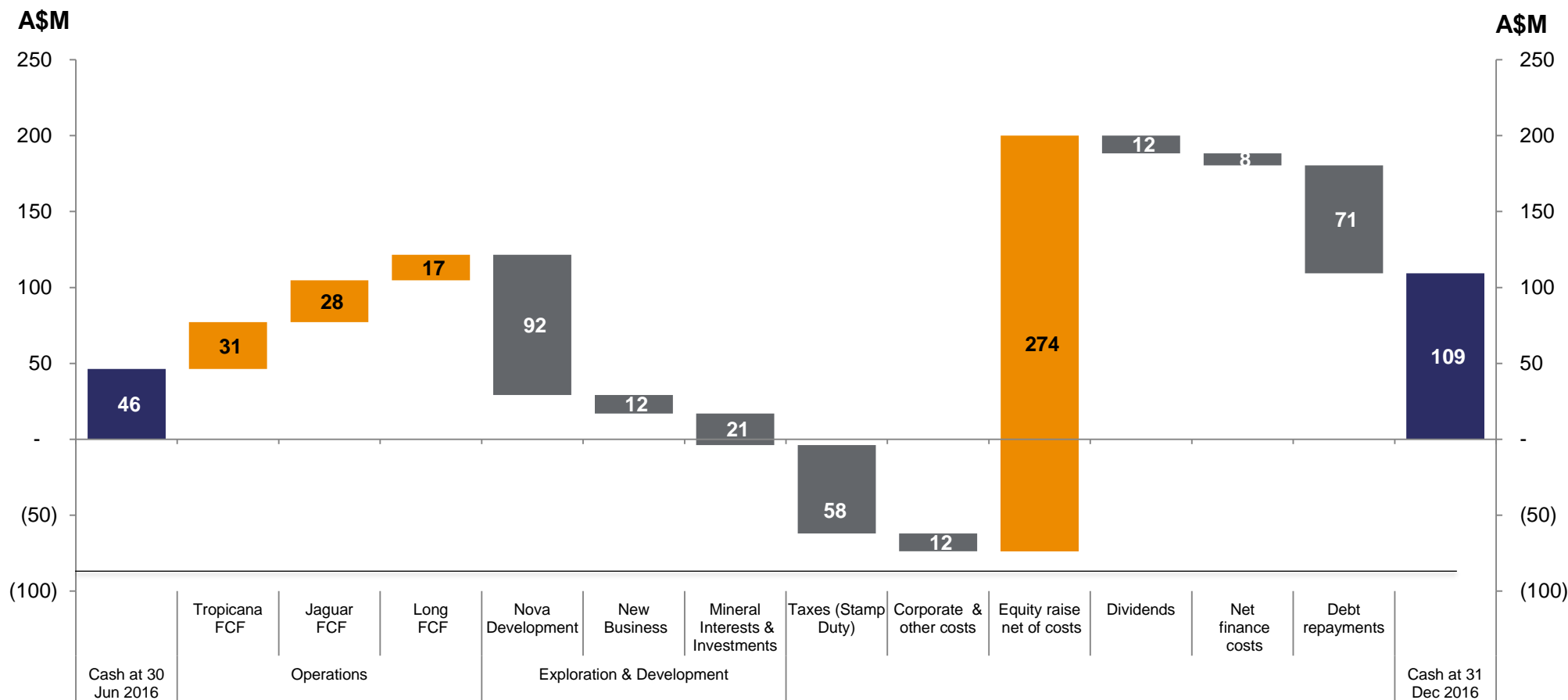
1) A\$21.1M in cash consideration, less cash of A\$4.5M acquired as part of the transaction

2) Underlying EBITDA is a non-IFRS measure (refer to Disclaimer page)

3) Underlying Free Cash Flow comprises Net Cash Flow from Operating Activities and Net Cash Flow from Investing Activities. Underlying adjustments exclude proceeds from investment sales and payments for investments. They also exclude net payment for the acquisition of Sirius Resources NL and transaction costs

# 1H17 cash flow components

## Number of one off factors during First Half



**One off factors include stamp duty payments, investments in mineral properties, equity raise and debt repayment**

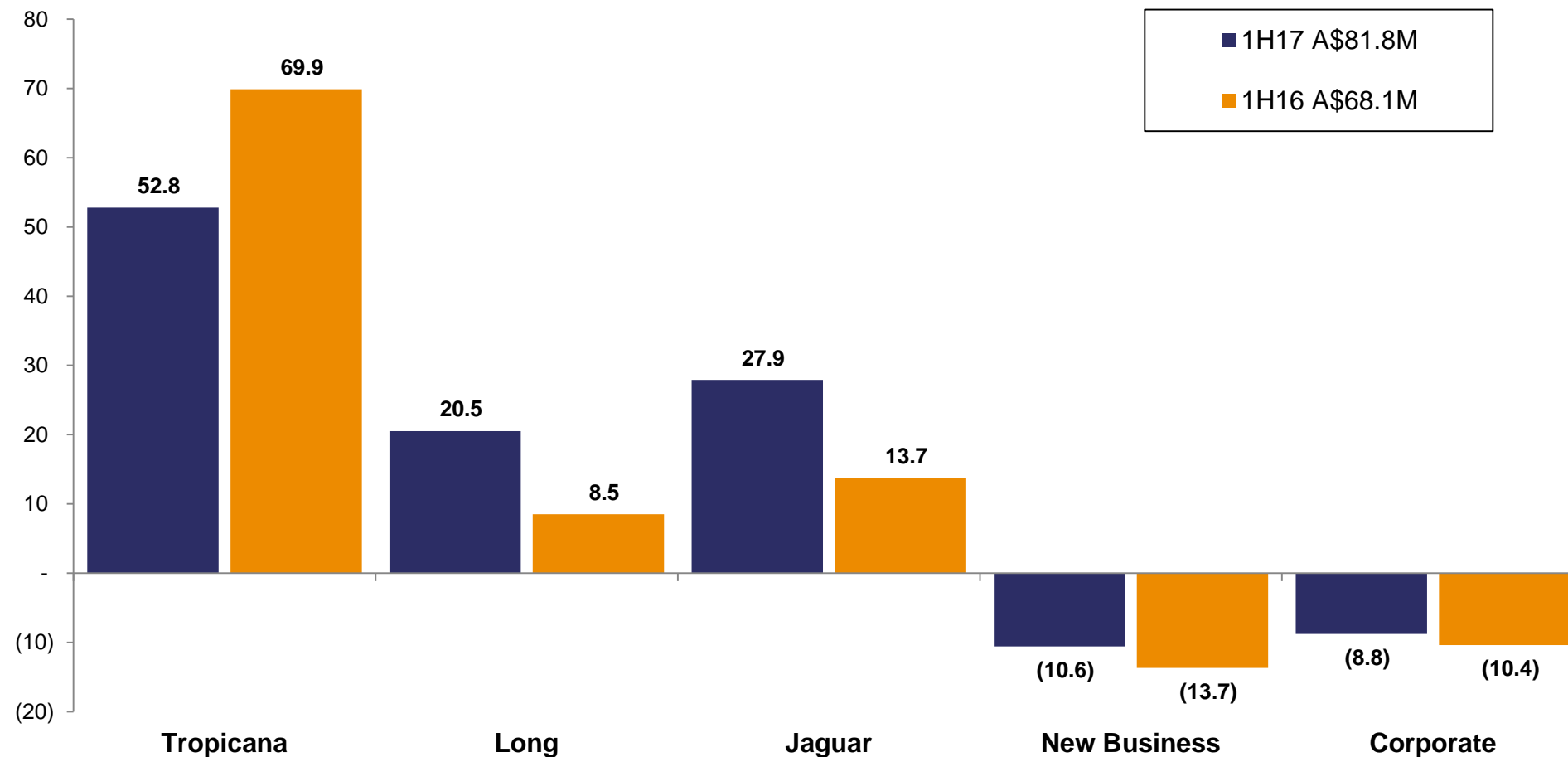
# 1H17 EBITDA components

Underlying EBITDA improved 20% YoY



## Underlying EBITDA<sup>(1)</sup>

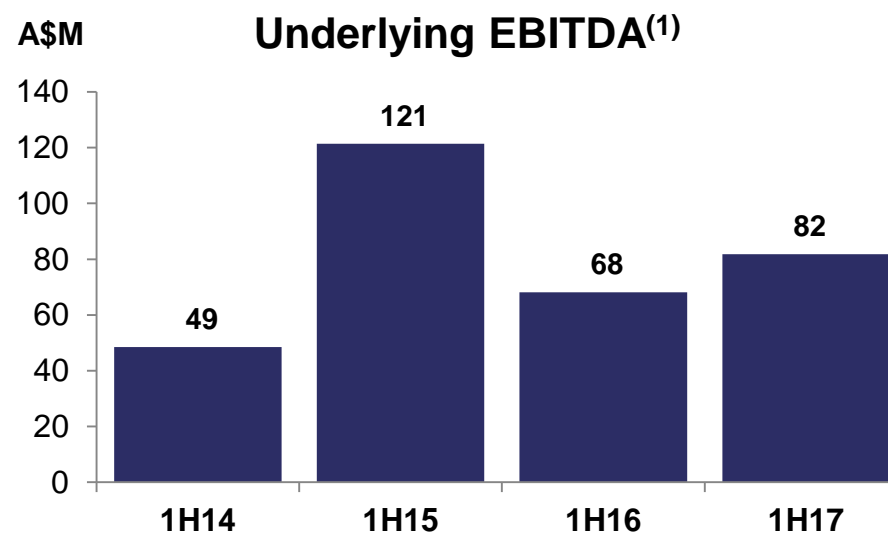
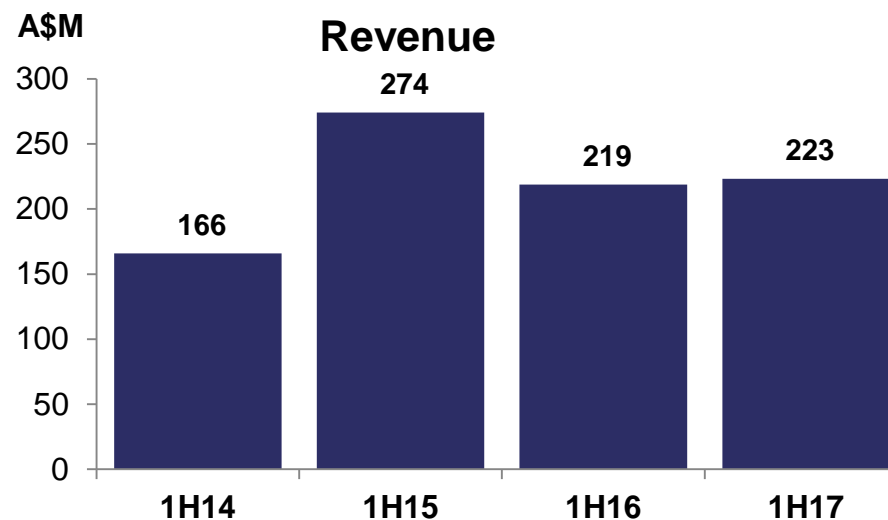
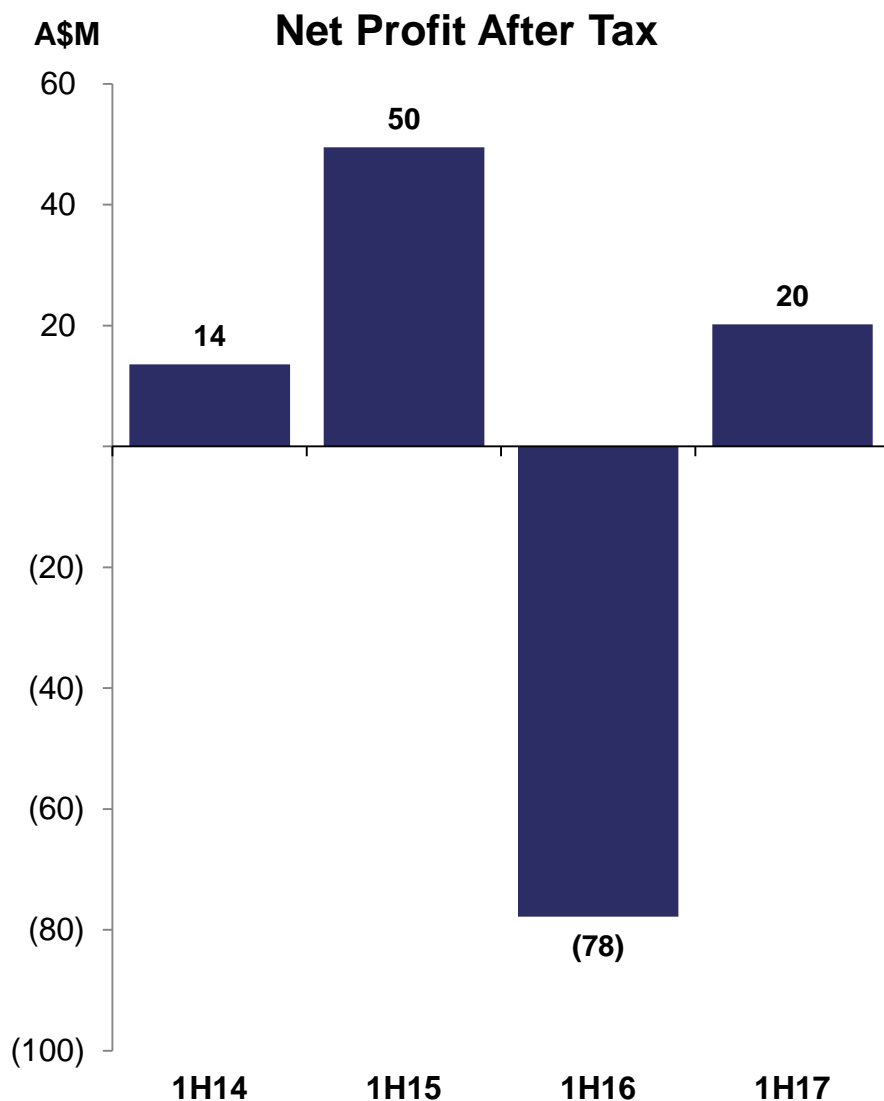
A\$M



1) Underlying EBITDA is a non-IFRS measure (refer to Disclaimer page)

# Earnings summary

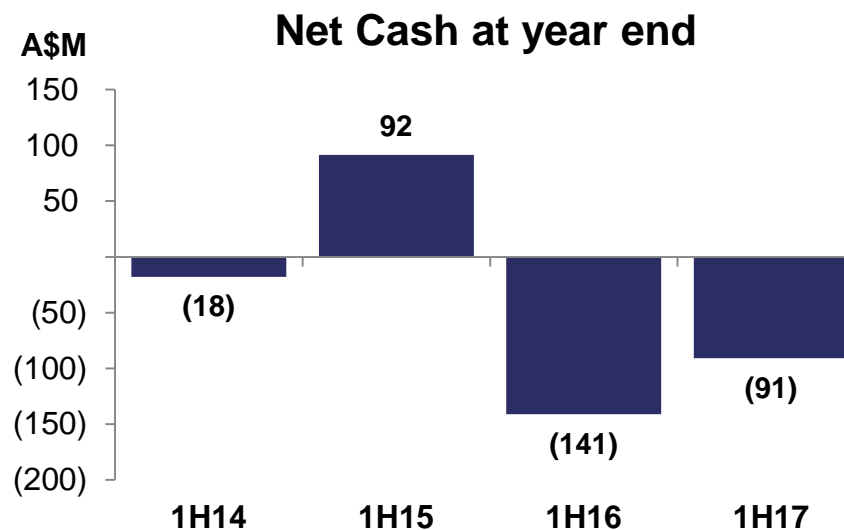
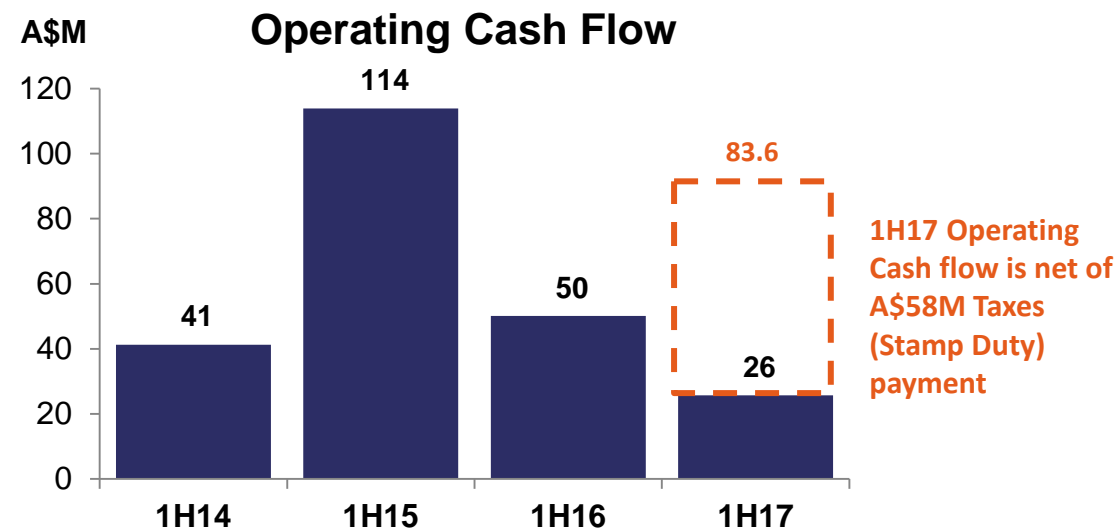
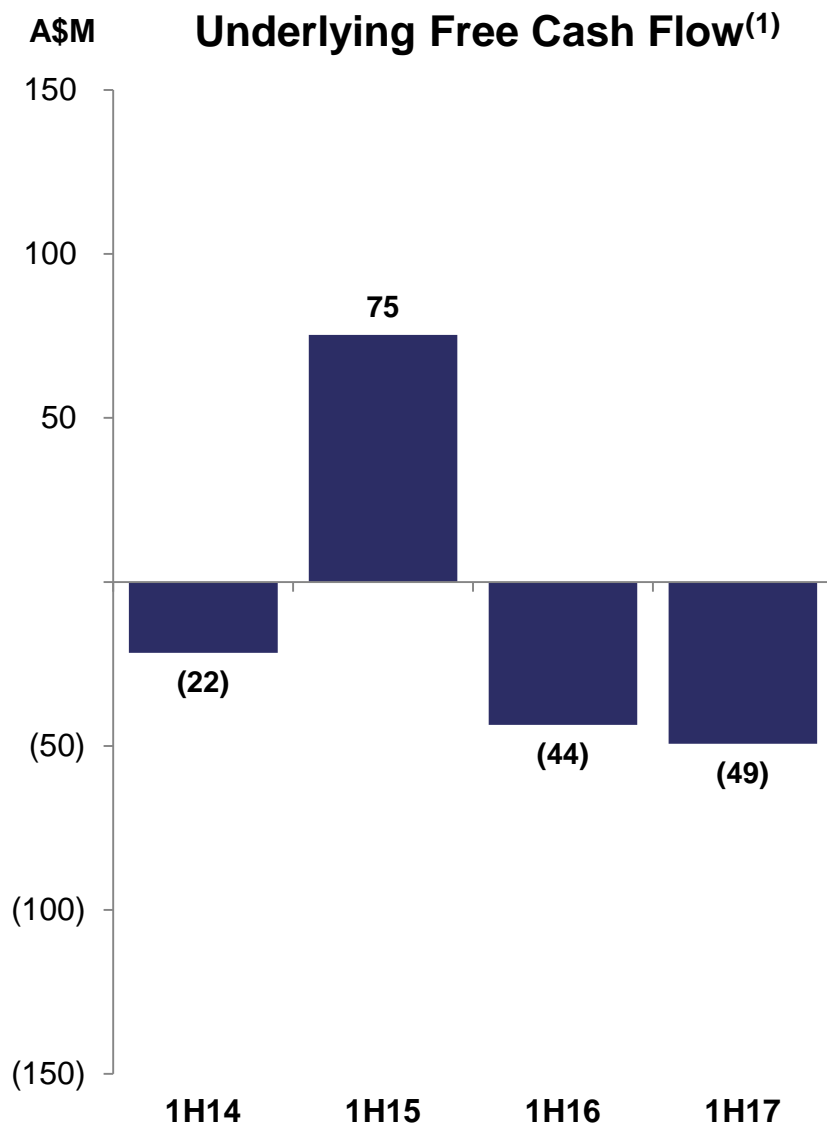
Higher overall metal prices deliver improved earnings



1) Underlying EBITDA is a non-IFRS measure (refer to Disclaimer page)

# Cash flow summary

Strong balance sheet with net debt of A\$91M



- Free Cash Flow comprises Net Cash Flow from Operating Activities and Net Cash Flow from Investing Activities. Underlying adjustments exclude proceeds from investment sales and payments for investments. They also exclude net payment for the acquisition of Sirius Resources NL and transaction costs
- Funds raised through completion of institutional placement and share purchase plan, net of costs totalled A\$274.3M see ASX releases dated 28 July 2016 and 26 August 2016



# Segment financial results

Higher base metals prices drive improved results



Operation	Metric	1H17 (A\$M)	1H16 (A\$M)	Inc/(Dec) (A\$M)	Inc/(Dec) (%)
<b>Tropicana</b>	Revenue	106.6	118.2	(11.6)	(10%)
	Underlying EBITDA	52.8	69.9	(17.1)	(24%)
	Free Cash Flow	30.9	46.6	(15.7)	(34%)
<b>Long</b>	Revenue	38.5	33.8	4.7	14%
	Underlying EBITDA	20.5	8.5	12.0	141%
	Free Cash Flow	16.7	6.0	10.7	178%
<b>Jaguar</b>	Revenue	76.5	65.8	10.7	16%
	Underlying EBITDA	27.9	13.7	14.2	104%
	Free Cash Flow	27.6	10.0	17.6	176%

## Segment drivers relative to previous corresponding period

- Cessation of grade streaming at Tropicana in December 2015 and increased expansion capital plus higher waste stripping negatively impacted earnings and cash flow. Positively, cash mining costs per tonne reduced by 16%.
- Lower costs at Long due to restructuring and new mining plan coupled with improving nickel prices has resulted in improved earnings and cash flow
- Jaguar cash flow has benefited from improved realised zinc prices which have increased 44% on the previous corresponding period

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## First Half operational scorecard

Metric	Units	Pro-rata Guidance	1H17	1H16	Inc/(Dec)
Gold produced (100% basis)	oz	195,000 to 215,000	221,232	251,945	(12)%
Gold sold (IGO's 30% share)	oz	58,500 to 64,500	65,361	76,055	(14)%
Cash cost	A\$/oz Au	850 to 950	821	625	31%
All-in Sustaining Costs	A\$/oz Au	1,150 to 1,250	1,070	801	34%
Sustaining and improvement capex	A\$M	6 to 8	6.4	4.9	31%
Capitalised waste stripping	A\$M	14 to 18	13.9	6.7	107%
Exploration expenditure	A\$M	3 to 4	3.4	3.9	(13)%

### 1H17 drivers

- Better than guidance production, cash costs and AISC primarily due to better than budget throughput
- Value enhancement initiatives delivered a more than 75% increase in NPV which includes partial results from the Long Island Study that has unlocked a 58% increase to Ore Reserves and increased life of mine to date<sup>(1)</sup>

### Outlook

- No change to full year guidance
- Ongoing programs as part of Long Island Study to deliver further Mineral Resource growth in 2H17
- Potential to further expand process plant throughput to 7.7-7.9Mtpa in CY17

1) For further detailed information on Tropicana value enhancement refer to ASX release dated 15 December 2016

## First Half operational scorecard

Metric	Units	Pro-rata guidance	1H17	1H16	Inc/(Dec)
Nickel (contained metal)	t	3,700 to 4,100	4,229	4,508	(6)%
Cash cost (payable)	A\$/lb Ni	3.50 to 3.90	3.21	3.97	(19)%
Sustaining capex	A\$M	0.5	0.7	1.4	(50)%
Development capex	A\$M	N/A	0.2	0.3	(33)%
Exploration expenditure	A\$M	1.0 to 1.5	0.4	7.1	(94)%

### 1H17 drivers

- Production and cash costs both better than guidance
- Realised nickel price ↑20% on previous corresponding period
- Majority of ore sourced from Moran orebody

### Outlook

- No change to full year guidance
- Ongoing in mine exploration to test targets near existing mine development
- Reprocessing of 3D seismic collected in 2008 with latest technology to identify new exploration targets

## First Half operational scorecard

Metric	Units	Pro-rata guidance	1H17	1H16	Inc/(Dec)
Zinc in concentrate	t	19,500 to 21,500	18,641	20,721	(10)%
Copper in concentrate	t	2,300 to 2,550	2,756	2,876	(4)%
Cash cost (payable)	A\$/lb Zn	0.70 to 0.80	0.77	0.67	15%
Sustaining capex	A\$M	4 to 5	4.8	1.1	336%
Development capex	A\$M	6 to 7	4.8	7.1	(32)%
Exploration expenditure	A\$M	1 to 2	0.8	7.1	(89)%

### 1H17 drivers

- Lower zinc payable metal production due to lack of stope availability in 2Q17
- Realised Zinc price ↑ 44% on previous corresponding period
- Full year guidance remains unchanged

### Outlook

- No change to full year guidance
- Bentley in mine exploration targeting down plunge mineralisation below current Ore Reserves in 2H17
- Triumph maiden Mineral Resource and PFS by mid CY17
- Process plant study to investigate potential for High Precious Metals concentrate by mid CY17

# Nova Project

## First Half scorecard



### 1H17 drivers

- Process plant construction completed and commissioning commenced in October 2016
- First nickel and copper concentrates announced six weeks ahead of schedule on 26 October 2016
- First nickel concentrate delivered to BHP Nickel West early December 2016
- All surface infrastructure completed and operational except commissioning of paste plant in April 2017
- Underground development currently behind plan resulting in potential delay to ore production ramp up and delivery of FY17 production and cash costs guidance



# Nova Project



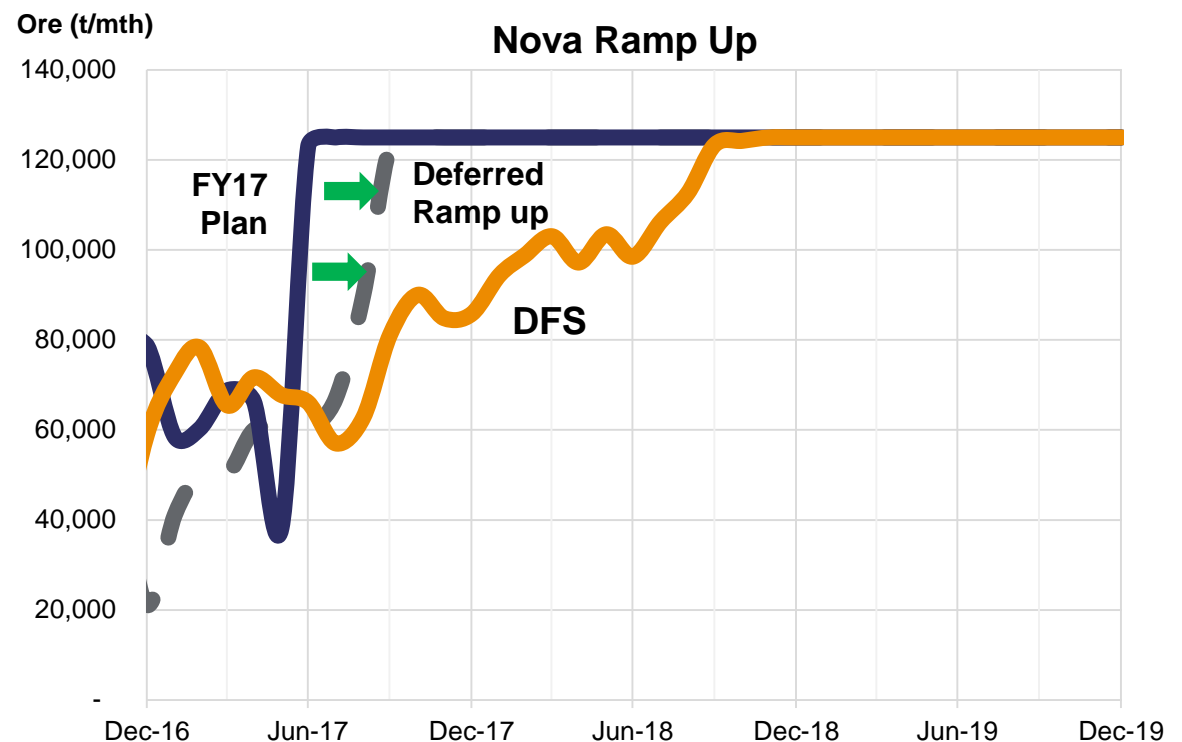
## Proactive improvements implemented with Barminco

### Development rate slipped in Dec 2016 qtr

- Barminco, underground contractor, committed to getting back to planned development rate
- Barminco has strengthened site management, strengthened site manning, mobilised additional equipment and upgraded stores and maintenance systems on site
- IGO and Barminco working collaboratively to investigate opportunities to increase development rate
- Conductor 5, located adjacent to the Bollinger decline, is being drilled as a potential additional source of ore in early months of the Nova operation

### Guidance

- Too early to update guidance
- Original FY17 guidance for Nova unlikely to be met and metal output in FY17 may be up to 50% lower than originally envisaged
- Guidance to be updated in April 2017 once Barminco improvements implemented and updated schedule completed





# Concluding comments

Strong first half with significant milestones achieved



Continued improvement in safety record with LTIFR at 1.2

Gold and base metals prices generally stronger YoY

Tropicana and Long production and cash costs beat guidance

Tropicana value enhancement delivers +75% NPV uplift – more to come

Jaguar results mixed – work to increase scale and mine life underway

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# Concluding comments

## Outlook and catalysts for value recognition



**Nova ramp up delayed with half of 2H17 production deferred to FY18**

**Nova in-mine drilling results through CY17**

**Tropicana Long Island Study to be completed around mid CY17**

**Jaguar recovery in 2H17**

**Jaguar maiden resource and PFS for Triumph prospect around mid CY17**

**Regional exploration at Fraser Range and Lake Mackay**





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