

# INDEPENDENCE GROUP NL

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**December 2015 Quarter Results Presentation**

28 January 2016



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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 27th 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.

# December 2015 quarter highlights

## Leading Australian diversified mining company



### **Tropicana performance better than pro-rata full year guidance**

- 40,123oz (IGO share) at a cash cost of \$625/oz and AISC of \$796/oz
- Record quarterly processing rate (annualised 6.5Mtpa)

### **Long performance well inside guidance range**

- 2,246t contained Ni at a C1 cash cost of \$3.68/lb of payable Ni

### **Jaguar productivity continuing to improve**

- 9,311t Zn and 1,447t Cu at a C1 cash cost of \$0.69/lb of payable Zn
- Record quarterly mining and processing rate (annualised 530,000tpa)

### **Nova construction on schedule and on budget**

- Project currently 61% complete with first concentrate production forecast for December 2016
- \$260M capital spend remaining to complete project

### **Financial and Corporate**

- Cash and bullion of \$59.6M and debt of \$200.1M at quarter-end
- \$15.9M of operating cash flow for the quarter, which is after expenditure of \$4.3M on exploration
- Unaudited underlying EBITDA of \$29.3M and unaudited loss after tax of \$7.2M

# Sustainability

Focus on continuous improvement



**No lost time injuries in December quarter across the business**

**Continued focus is on leading indicators and strengthening of culture + systems**

# Unaudited financial results

## Balance sheet remains strong



Unaudited (\$'million)	Q2 FY16	Q2 FY15
Revenue	98.4	145.2
Underlying EBITDA <sup>(1)</sup>	29.3	63.4
Net Profit After Tax	(7.2)	24.4
Net Cash Flow From Operating Activities	15.9	65.5
Free Cash Flow <sup>(2)</sup>	(59.2)	49.9
Cash (at end of period)	58.9	93.3
Marketable Securities (at end of period)	13.7	1.0
Refined bullion (at end of period)	0.7	1.0
Debt (at end of period)	200.1	1.8

1) Underlying EBITDA are non-IFRS measure (refer to Disclaimer page).

2) Free Cash Flow comprises Net Cash Flow from Operating Activities and Net cash Flow from Investing Activities.

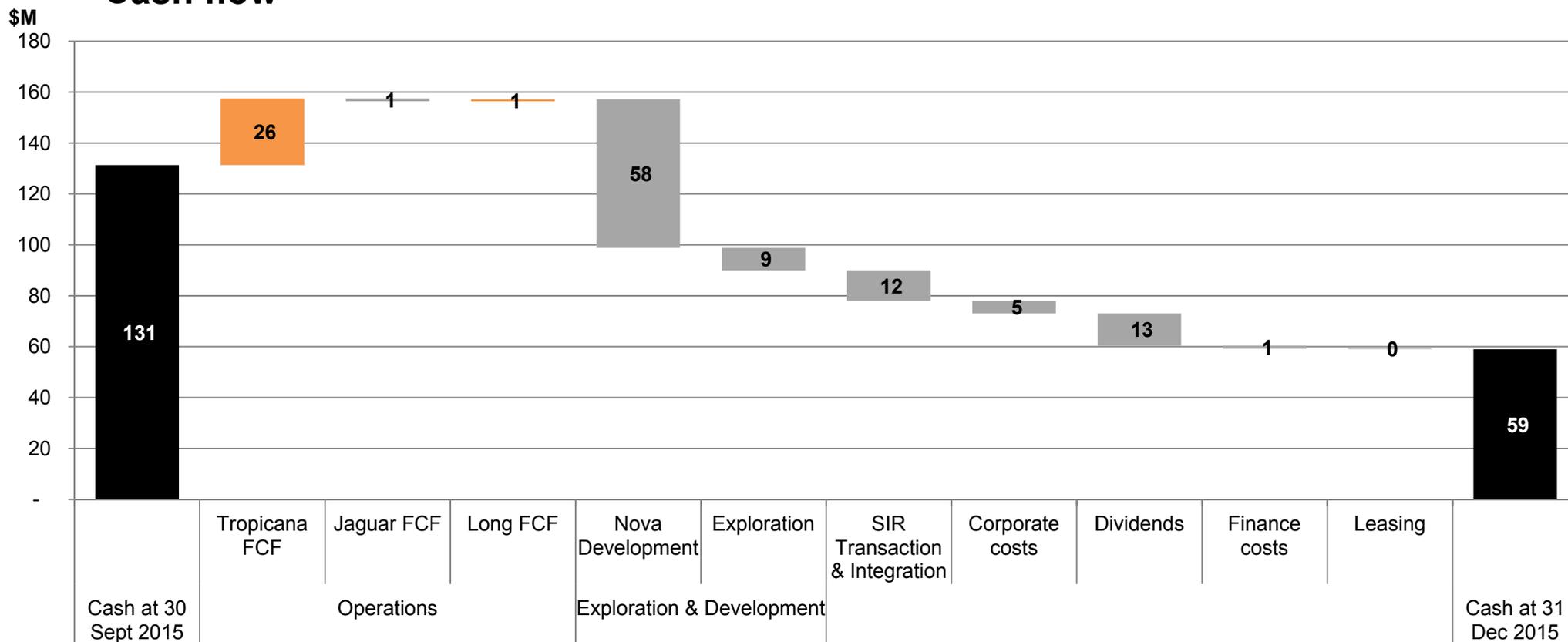
# December quarter cashflow



## Continued discipline and focus on cash management

- Integration of Sirius transaction completed and Nova optimisation study completed in quarter
- Nova Development progressed from 44% to 61% completion with \$260M capital remaining
- \$350M term loan remains undrawn
- Exploration spend reduced by \$20M over next 12 months

### Cash flow



# Tropicana

## Production and cash costs better than annualised guidance

### Gold production and costs

- 40,123oz gold produced and 39,714oz sold (IGO share)
- Cash costs of \$625/oz produced and AISC of \$796/oz sold

### Mining

- 5.5M BCM mined and hauled ex-pit

### Processing

- 1.62Mt processed at average grade of 2.85g/t and 90.0% recovery
- 6.5Mtpa rate achieved in the quarter at an average utilisation of 96%

### Capital projects

- Gas pipeline completed and staged commissioning of the first gas engines underway
- Process plant debottlenecking to increase production to in excess of 7Mtpa continues and expected to be completed later in 2016

### Near mine exploration

- 14km of RC and DDH drilling completed with continued positive results
- Extensional seismic survey completed south of Havana South
- Focus is down-dip and along-strike extensions of existing ore bodies



# Long

## Production and cash costs well inside guidance range

### Production and costs

- 2,246t contained nickel produced
- Cash costs of \$3.68/lb payable Ni net of by-product credits and royalties

### Underground mining

- 57,367t mined at an average grade of 3.87% Ni
- Mining for the quarter focussed on the Moran orebody

### Near mine exploration suspended

- In response to low nickel prices, following the end of the quarter exploration activities at Long were suspended
- Regrettably, as a result, approximately 30 roles were made redundant
- Production and cash cost guidance is unaffected



# Jaguar

Zinc production on guidance but cash costs impacted by lower Copper by-product credits



## Production and costs

- 9,311t Zn and 1,447t Cu produced in concentrates
- Cash cost of \$0.69/lb payable zinc net of by-product credits and royalties

## Underground mining

- Tonnes mined were in line with mine plan at 133,552t

## Processing

- 132,610t milled at average grade of 7.96% Zn and 1.30% Cu
- Represents annualised rate of 530,000tpa

## Near mine exploration

- Drilling designed to upgrade the Flying Spur mineral resource from inferred to indicated and extend understanding of Arnage lens at depth continued
- Positive drilling results at depth beneath existing Arnage resource envelope
- Mineral Resource and Ore reserve updates to be completed in the coming quarters

# Nova overview



**Fully financed, in construction, on schedule and on budget**

## Overall

- Significant progress made during quarter and project now 61% complete
- Project remains on track for commissioning in late 2016 and for production of first concentrates in December 2016
- Integration of Sirius and optimisation study completed in December 2015

## Infrastructure

- Permanent access road completed in the quarter
- First power generation units have been shipped and are expected to be operational in the June quarter. 11kv overhead powerline is +80% complete

## Underground development

- Mine development ahead of schedule with 2,441m development to date and the decline reaching the 1,425m mark at quarter-end

## Process plant construction

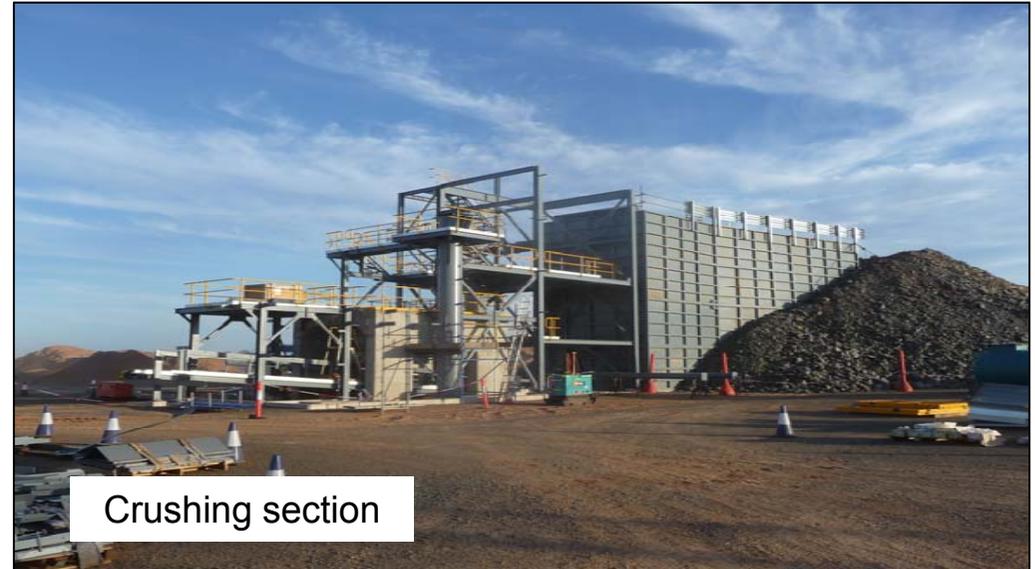
- Construction of the process plant and associated infrastructure is ahead of schedule and 31% complete
- Current focus is delivery and installation of structural steel and manufacture and delivery of equipment

# Nova Project progress

Project currently on time and on budget



Access road



Crushing section



UG Ventilation Fans



Ball Mill QC during fabrication

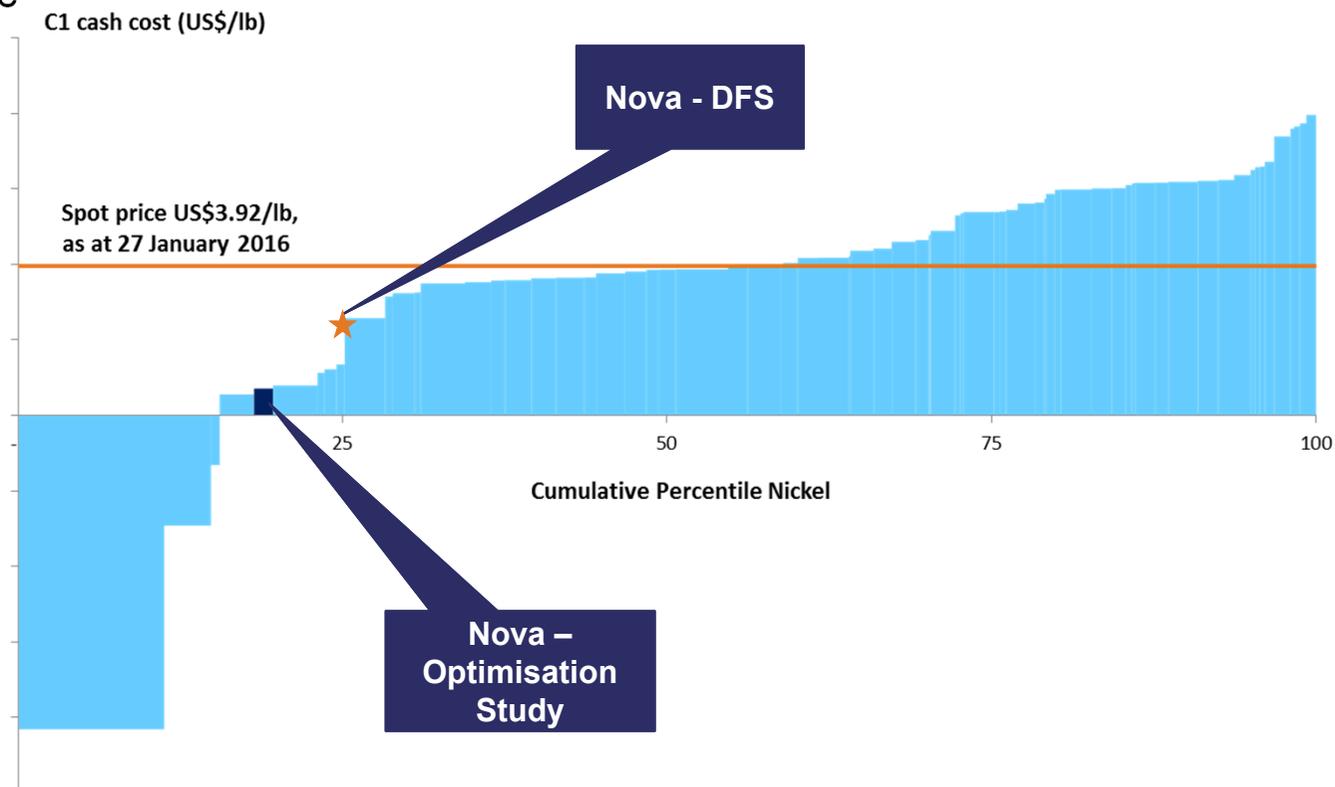
# Nova Optimisation Study

Added value - reduced risk - future growth



## Study outcomes

- 36% improvement on the Project NPV
- 27% reduction in expected C1 cash costs (after by-product credits) in concentrate to \$1.21/lb from \$1.66/lb nickel
- 21% decrease in all-in sustaining cash costs (after by-product credits) in concentrate to \$1.83/lb from \$2.32/lb nickel
- Capital unchanged, however significantly more development to be completed within January 2015 estimate



1) See Nova Optimisation Study ASX release dated 14 December 2016

# Exploration rationalisation

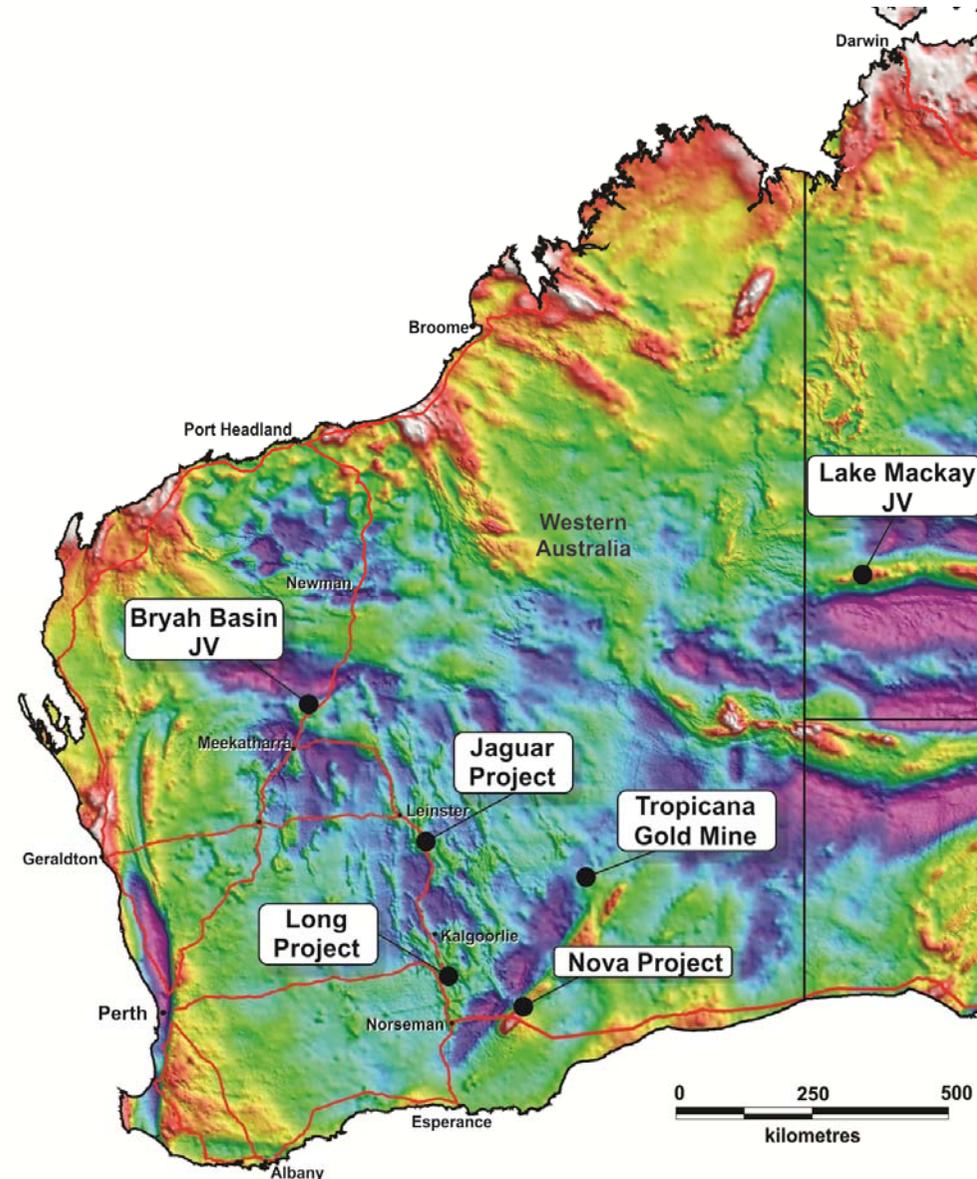
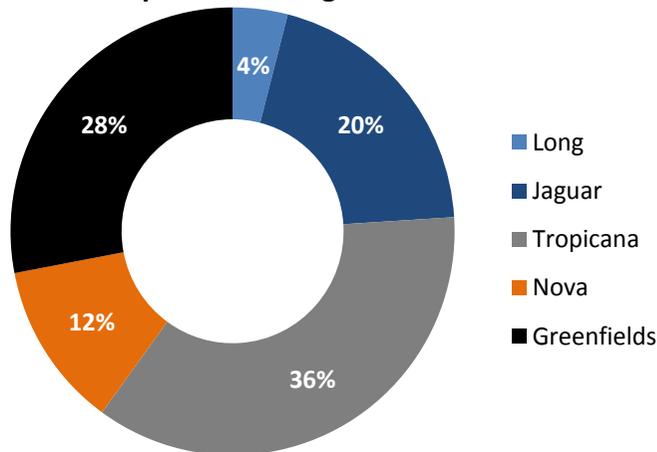


Long term commitment to delivering organic growth

## CY16 Exploration spend reduced by \$20M

- In response to continued weak base metal prices greenfields exploration prioritised on core growth projects:
  - Nova – Tropicana Belt
  - Lake Mackay JV
  - Bryah Basin JV
- Brownfields programs at Nova, Tropicana and Bentley remain a priority
- CY16 Exploration budgeted at \$25M<sup>(1)</sup>

CY16 Exploration budget



1) Midpoint of CY16 guidance

# FY16 guidance

## Updated exploration expenditure guidance



### Tropicana (IGO share)

- 129,000 to 141,000oz at average cash cost of \$640 to \$710/oz Au
- AISC of \$820 to \$910/oz Au sold
- Sustaining capex of \$8 to \$10M, stripping capex of \$18 to \$20M and exploration of \$9 to \$11M

### Jaguar

- 35,000 to 40,000t Zn and 7,500 to 8,500t Cu in conc. at average cash cost of \$0.40 to \$0.60/lb Zn
- Sustaining capex of \$4 to \$5M, development of \$12 to \$14M and exploration of \$9 to \$11M down from \$10 to \$12M

### Long

- 8,500 to 9,000t contained Ni at average cash cost of \$3.50 to \$4.00/lb Ni
- Sustaining capex of \$2 to \$3M and exploration of \$8 to \$9M (up to suspension of exploration activities)

### Nova

- Total development cost of \$443M of which approximately \$180M spent to 31 December 2015

### Greenfields Exploration

- \$6 to \$8M down from \$10 to \$12M on greenfields and generative exploration

# Concluding comments

## Diversified mining company delivering cash flow and growth



### Strong focus on cash management

- Market prices for base metals declined further quarter on quarter
- Strong production from Tropicana reflecting improved availability and better than design throughput rates
- Nova remains on schedule and on budget
- The \$350M term loan put in place last year to fund Nova construction remained undrawn

### Nova optimisation study and integration completed

- Nova optimisation study delivered a significant improvement to project economics
- Project start up has been de-risked and additional options to add value recognised

### Outlook and catalysts for value recognition

- Switch to gas power generation at Tropicana
- Continued progress at Tropicana to ramp up processing capacity to +7Mtpa
- Nova development milestones including mining of first ore in June quarter, commissioning late-2016 and production of first concentrate in December 2016
- Mineral Resource updates at Tropicana and Bentley



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