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Independence Group NL
Suite 1, 183 Great Eastern Highway
Belmont, Western Australia

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Independence Group NL recently announced net profit after tax of $0.123 million for the half year ended 31 December 2008 versus $37.770 million in the pcp. What were the major reasons for the variance? Can you explain the one-off items? To what extent were underlying earnings affected?

Managing Director, Chris Bonwick
Spot nickel prices during the 2008 half year were about 50% lower than the previous half resulting in lower revenue. Also, the value of listed investments decreased significantly due to falling commodity prices resulting in a $9.1 million write down. Even at these currently low nickel prices, the Long Nickel Mine is still operating profitably with payable cash costs for the half of A$4.10/lb Ni. Without these write downs (which did not affect our cash position or cash flow generated for the half), the Company would have made a $9 million profit. These write-downs will not be repeated in the second half as our investments were written down to a book value of $320,000 at 31 December.

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What do you expect for the June 2009 half year?

Chris Bonwick
Assuming the nickel price does not fall significantly below current levels, we expect the second half to produce a substantially improved profit result. The Long Nickel Mine is both profitable and cash flow positive at current nickel prices and there will be no material write-down of listed investments in the second half.

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Independence has a market capitalisation of around $250 million and as at 31 December 2008 held $113.0 million of cash and cash equivalents. You stated in late January that the Long Nickel mine is both profitable and cash flow positive at then prevailing nickel prices. How competitive is Long in terms of operating cost? What are you doing to mitigate the impact from the deterioration in market conditions?

Chris Bonwick
The December 2008 quarter C1 & C2 payable cash costs were A$3.88/lb Ni, reflecting our position as one of Australia's lowest cost nickel producers. Our Long Nickel Mine has always been a low cost producer which is a great credit to our team at Long. When we purchased the mine in 2002 the nickel price was US$3.00/lb with an exchange rate of 0.57c resulting in an Australian dollar nickel price of A$5.26/lb Ni, which is actually lower than the current A$ nickel price. We set the mine up on an owner/operator basis, with an experienced residential-based workforce to be profitable at that low nickel price. Our philosophy to be able to mine at low cash costs has continued throughout our 6 ½ years of production. Right from the start we have always looked at ways to reduce costs and are continuing to do so without compromising the safety of our workforce.

Compared to a lot of mining operations, we have a relatively small workforce. Due to only a few of our team being FIFO we save considerably on workforce costs compared to some of our peers. We have never "high-graded" at Long due to the need to mine the nickel sulphide ore bodies in a set sequence. Given the current relatively low nickel price environment, we have implemented efficiency studies, frozen wages and removed bonus payments, and continue to work closely with the workforce to reduce overall production costs. Our water and power consumption have dropped as has the cost of diesel. We are also working with our suppliers to reduce the price of some of our consumables.

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For the December 2008 quarter, contained nickel production was 2,074 tonnes. What nickel production do you expect in the future? How will you achieve that?

Chris Bonwick
IGO informed the market last year that our forecast production for 2008/9 would be in the range of 8,400–8,800 Ni tonnes at a 3.6% Ni head grade with payable cash costs of A$4.50-4.65/lb Ni. For the first half we produced 4,045 Ni tonnes with a head grade of 3.6% Ni with better than budgeted payable cash costs of A$4.10/lb Ni. We are still forecasting that we will achieve our production guidance for the full year.

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Independence reported in late September 2008, Resources of 1.420 million tonnes at 5.3% containing 75,800 tonnes of nickel metal and Reserves of 1.085 million tonnes at 3.4% containing 37,200 tonnes of nickel metal. Taking into account recent exploration results and early stage exploration, where do you expect to add

to Resources and Reserves in future at Long? Can you give detail about the recent Moran discovery? How far can you extend mine life at Long?

Chris Bonwick

Based on a production rate of 9,000t Ni pa, our June 2008 published reserves will last to June 2012. This does not include the 20-30% extra nickel we have consistently mined from within and outside the reserve blocks, compared to the reserve estimate. The positive production to ore reserve reconciliation has been consistently achieved since production commenced in 2002.

Our 2002 start-up reserve was 26,800 Ni tonnes and we have now mined over 50,000 Ni tonnes. Historically our mine life has always been maintained at around 4 years due to extra ore being repeatedly delineated by our highly regarded geological and geophysical exploration team.

Most recently the team has discovered the Moran nickel ore body in the lava channel that hosts the Long ore body which has produced over 200,000 nickel tonnes to date. Moran is located approximately 1.1km south of the Long ore body. Moran is a significant high grade discovery (e.g. true width intercepts of 6.8m @ 6.0% Ni, 4.9m @ 6.4% Ni, 6.7m @ 4.1% Ni, 4.5m @ 6.1% Ni, 4.3m @ 6.3% Ni and 3.3m @ 6.0% Ni) and has been delineated over a 300m strike length to date. The system remains open to the south and drilling will continue throughout the year. We have the cash on hand to continue funding aggressive exploration at the mine.

We have drilled out the deposit on an 80m x 40m grid and will commence 40m x 40m and some 40m x 20m infill drilling using two diamond rigs once drill drive extensions are completed in mid-March. This drive should enable the estimation of indicated and inferred resources which will be used to define a development and mining plan. We have not completed a JORC-compliant resource estimate as yet, but mineralisation defined to date is expected to materially extend mine life and also increase the reserve head grade.

Other undrilled TEM anomalies occur north and south of the current Moran mineralisation which will be tested during 2009 after completion of further drill drive development (the Moran discovery was made testing a large TEM anomaly). In addition to potential extensions to the Moran ore body, we are also hopeful that further economic mineralisation may be delineated south of the McLeay and north of the Long ore bodies.

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Independence is free carried to the completion of the Pre-feasibility Study on the Tropicana JV (IGO 30%). Tropicana currently has a 5.01 million ounce initial open cut Resource for the Tropicana and Havana. What is the status of the Pre-feasibility study? What resource to reserve conversion do you expect?

Chris Bonwick
AngloGold Ashanti (AGA) has 70% equity in the Tropicana Joint Venture and is also the manager of the JV. AGA expects the Pre-feasibility Study to be completed in the June Quarter.

It is difficult to comment on what the eventual resource to reserve conversion will be as it depends on future A$ exchange rates, gold prices, energy costs, grade cut-offs and other assumptions. We are hopeful that approximately 80% of the current total Measured, Indicated and Inferred resources of 5 million ounces will eventually be mined. However, this figure could rise or fall depending on gold price and cash flow/NPV optimisation studies once final pit designs are completed.

We expect that recent intercepts south of Havana, which are outside the current resource shell (including 5m @ 22.5 g/t Au and 10m @ 10.1 g/t Au (true widths)) which remain open along strike are likely to increase the open cut resource. In addition, future infill drilling of the Indicated and Inferred resources is expected to replicate the results of the infill drilling of the upper portions of both deposits, resulting in a higher Measured resource diluted grade of 2.38 g/t Au. Currently only 30% of the resource has been drilled to Measured status.

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What is the current scope of the project being considered? Have any major obstacles been identified in the progress to a commercial project? How would it compare with Long in terms of importance to Independence?

Chris Bonwick
AGA is currently scoping a 5.5 – 7 million tonne per annum gold treatment plant. At this stage the most likely scenario is a 6 - 6.5 million tonne per annum plant, but again we are waiting for the Pre-feasibility Study results.

The proposed plant site is approximately 320 km north east of Kalgoorlie and will require the construction of 220 km of new road. Due to the project being in a remote region future power generation costs are considered a key issue. AGA is evaluating conventional diesel electricity generation technology, gas pipeline, transmission line from Kalgoorlie and hybrid solar thermal power generation. The latter has very low power generation costs and would have greenhouse benefits, but a high capital cost. AGA is applying for a grant from the Federal Government to provide funding support for the development of a solar thermal power station.

The project is very important to Independence as it provides the company with a potential second revenue stream and diversification of commodities risk over a long mine life. We have a positive view on the outlook for gold and Tropicana is probably the most significant Australian gold discovery in over a decade.

Independence's estimated share of gold production at a rate of 350,000 to 400,000 ounces gold per annum would be 105,000 to 120,000 ounces per annum – considering Tropicana is expected to have a +10 year mine life, this represents significant cash flow for IGO.

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Can you outline the ongoing exploration program at Tropicana and how it may add to the current 5.01 million initial open cut Resource? What is the potential to add to open cut resources, identify an underground resource and add to gold inventory regionally?

Chris Bonwick
The potential for underground production and the discovery of other deposits in the region could significantly add to mine life. Both the Tropicana and Havana deposits have high grade zones that remain open down plunge at depth. The 25m x 25m infill drilling completed last year has certainly given us a much better understanding of the high grade gold distribution. If intercepts such as 15m at 19.8 g/t Au (true width) can be replicated beneath the pit, an underground operation is likely.

AGA is now focusing exploration on delineating more open cut deposits within economic trucking distance of the proposed mill site. Although it is still early days, reverse circulation (RC) drilling has intersected >1 g/t gold mineralisation at six other prospects within trucking distance, including 2m @ 9.3 g/t Au, 5.0m @ 7.6 g/t Au, 3m @ 8.8 g/t Au and 1m at 13.4 g/t Au. Vertical geochemical air core drilling has also intersected > 1 g/t intercepts beneath numerous other geochemical anomalies which are yet to be RC drill tested.

Other gold anomalies are present on the 12,000 km^2 project area such as Beachcomber where drilling intersected 3m @ 65.8 g/t Au some 220km south of Tropicana/Havana. Work on these geochemical anomalies and other prospects will keep the exploration team very busy for many years.

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What are you spending on brownfields and greenfields exploration? Can you detail the best of your regional exploration projects?

Chris Bonwick
During the second half of 2008, Independence spent $3.5 million on exploration, drilling and geophysics at Long and $3.7 million on drill drive development. The regional greenfield exploration spend during this period was $3.2 million.

Due to the low nickel price, we are reducing our exploration spend, but will continue exploration at the mine, focusing on the Moran deposit, and on our regional tenure.

Our best regional projects include the 100% owned Karlawinda gold project located south east of Newman in Western Australia. This is potentially a new gold province with drilling to date intersecting up to 15m @ 3.0 g/t Au. Surface sampling and geochemical air core drilling have also recently defined new very large supergene gold anomalies which require follow up. Our 90-100% owned Holleton project south-west of Southern Cross in Western Australia contains numerous large, untested surface gold anomalies which also required drill testing.

We have a large copper-lead-zinc anomaly south east of the Nifty Copper Mine in Western Australia, joint ventured to Teck Cominco. BHP Billiton is funding nickel exploration on the Musgrave Project in central Australia and we have found a new nickel sulphide occurrence (best intercept 4m @ 2.0% Ni), north of Laverton in Western Australia.

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After raising around $4 million in 2002 in your IPO, Independence has grown to be a significant mid cap resources company. You have added nickel resources to your flagship Long Nickel Mine (IGO 100%) and have also participated in the large Tropicana JV gold discovery (IGO 30%). Where do you think Independence can add the next significant leg to its growth?

Chris Bonwick
We expect our next stage of growth will come from the Moran nickel discovery at Long. The deposit is high grade and open and will certainly add to mine life. At Tropicana numerous other anomalies occur in this new Australian gold camp and the delineation of other gold deposits could make more mines possible on the joint venture ground.

We have some highly prospective greenfield regional projects where we are trying to discover the next "Tropicana" gold or "Kambalda" nickel camp. We are cashed up with no debt and are certainly looking for growth opportunities that generate strong shareholder returns.

These uncertain times provide opportunities for IGO to acquire assets from distressed companies or through alliances, joint ventures or mergers with companies with quality projects, but requiring assistance in funding owing to the current tightness in credit markets.

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Thank you Chris.

For further information on Independence Group please visit www.igo.com.au or call Chris Bonwick on (08) 9479 1777.

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