

# INDEPENDENCE GROUP NL

## FY18 Results Presentation

*Nova and Tropicana drive record financial results*



29 August 2018

ASX:IGO / ADR:IIDY

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- All currency amounts in Australian Dollars unless otherwise noted.
- Net Debt is outstanding debt less cash balances.
- 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, gain on sale of subsidiary, redundancy and restructuring costs, depreciation and amortisation, and once-off transaction costs.
- Free Cash Flow comprises Net Cash Flow from Operating Activities and Net Cash Flow from Investing Activities. Underlying adjustments exclude acquisition costs, proceeds from investment sales and payments for investments.



# FY18 Highlights

## Nova and Tropicana drive record FY18 results



- Record revenue and underlying EBITDA
- Completed first full year of commercial production at Nova
- Tropicana gold production better than mid-point of guidance
- Long transitioned into care and maintenance in June 2018 and delivered nickel production better than mid-point of guidance
- Stockman and Jaguar divestments successfully completed
- Further consolidation of tenure on the Fraser Range and extensive exploration activities
- Net debt reduced to A\$4M from A\$164M at the start of FY18
- Final fully franked dividend of 2c/share declared for FY18 for total FY18 dividends of 3c/share

# FY18 Safety & Sustainability

## Because we care

- LTIFR for FY18 was 2.39<sup>(4)</sup>
  - No fatalities or serious disabling injuries occurred
- No material environmental incidents experienced
- Commenced the Nova production royalty payments to the Ngadju Native Title Aboriginal Corporation
- Over 48 organisations or projects benefitted from IGO's Corporate Giving program
  - Total Corporate Giving spend for FY18 was A\$252,385

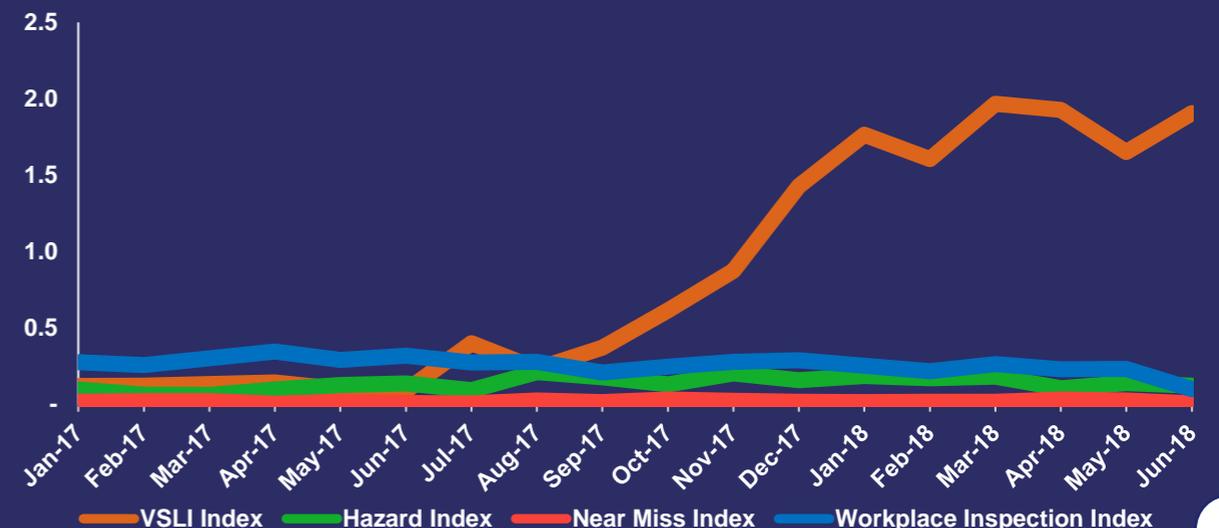
1) 12 month moving average MTIFR – Medically Treated Injury Frequency Rate: calculated as the number of medically treated injuries x 1,000,000 divided by the total number of hours worked  
 2) 12 month moving average LTIFR – Lost Time Injury Frequency Rate: calculated as the number of Lost Time injuries x 1,000,000 divided by the total number of hours worked  
 3) VSLI: Visual Safety Leadership Interaction  
 4) Jun-18 LTIFR rate has increased from 1.96 to 2.39 as a result of the reclassification of a single injury from the June 2018 Quarter



### Key Lag Safety Metrics<sup>(1,2,4)</sup>



### Key Lead Safety Metrics<sup>(3)</sup>



# Record Financial Results



Revenue and Underlying EBITDA up 85% and 125% respectively

	Units	FY17	FY18	YoY
Revenue and Other Income	A\$M	421.9	780.6	85%
Underlying EBITDA <sup>(1)</sup>	A\$M	150.5	338.6	125%
Net Profit After Tax	A\$M	17.0	52.7	210%
Net Cash from Operating Activities	A\$M	77.7	277.8	256%
Underlying Free Cash Flow <sup>(2)</sup>	A\$M	(113.2)	138.3	n.a.
Cash	A\$M	35.8	138.7	287%
Debt	A\$M	200.0	142.9	(29%)

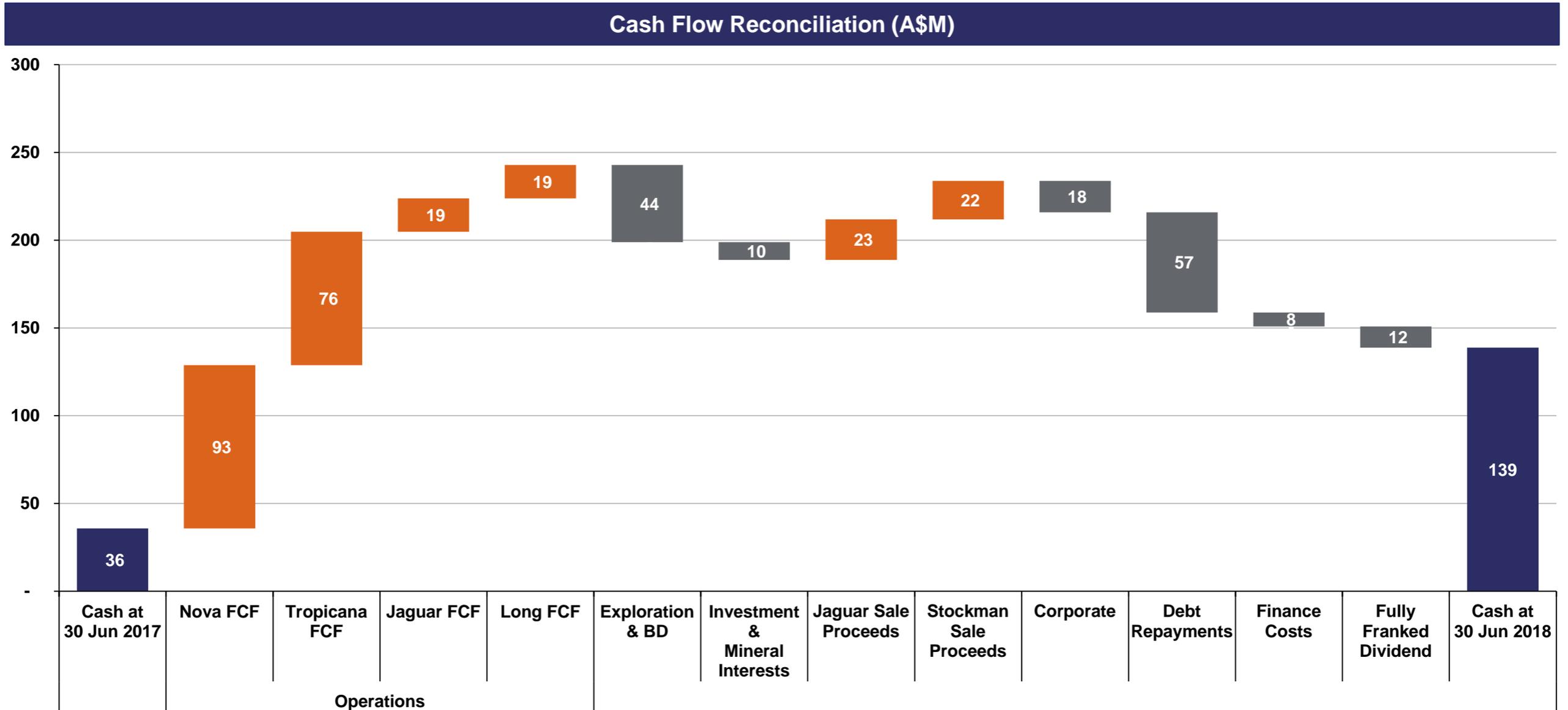
**Net cash flow from operating activities increased by 256%, driven by the first full year of commercial production at Nova and a strong year for Tropicana**

1) Underlying EBITDA is a 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. Refer to disclaimer page for "Underlying" adjustments

# FY18 Cash Flow Reconciliation

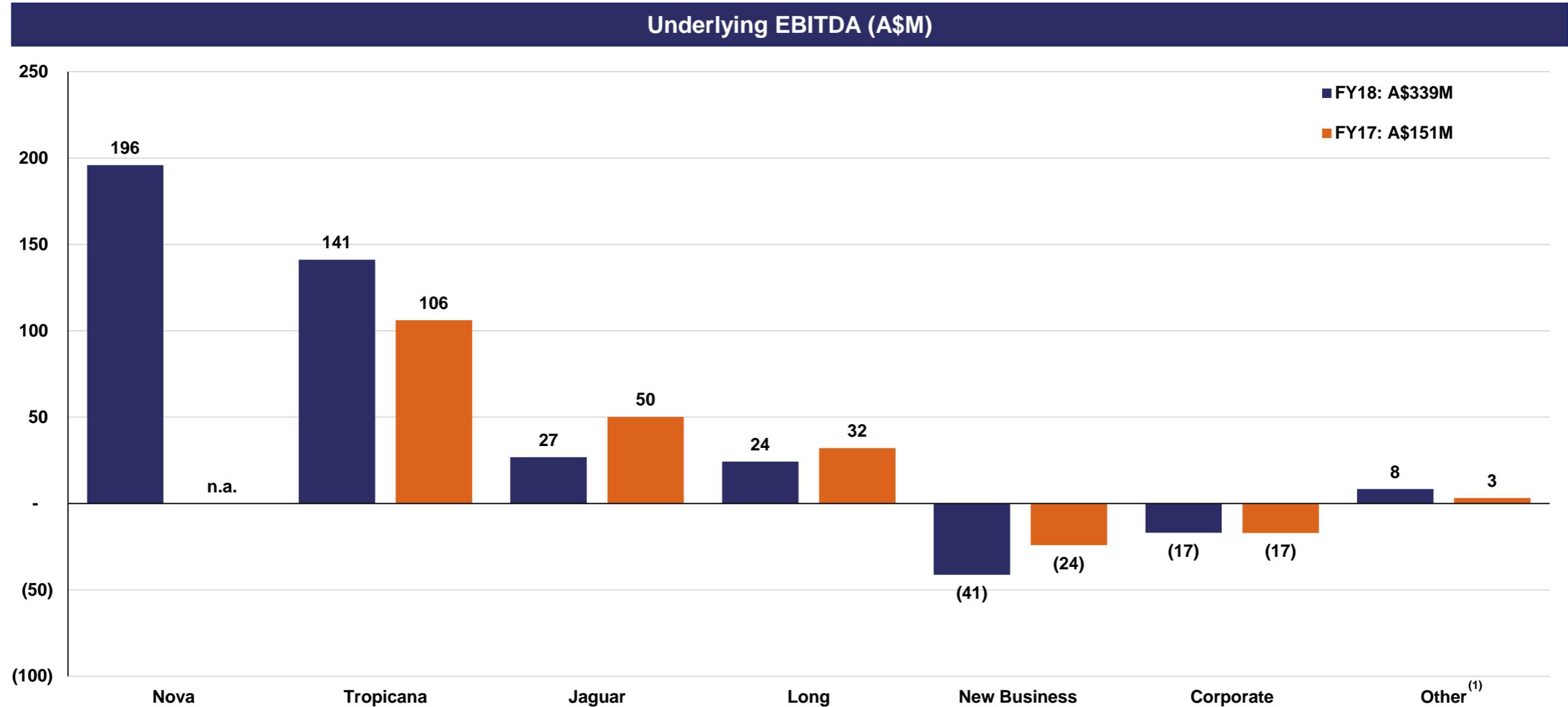
Cash increased by A\$103M to A\$139M



# FY18 Underlying EBITDA Components



Underlying EBITDA improved 125% YoY



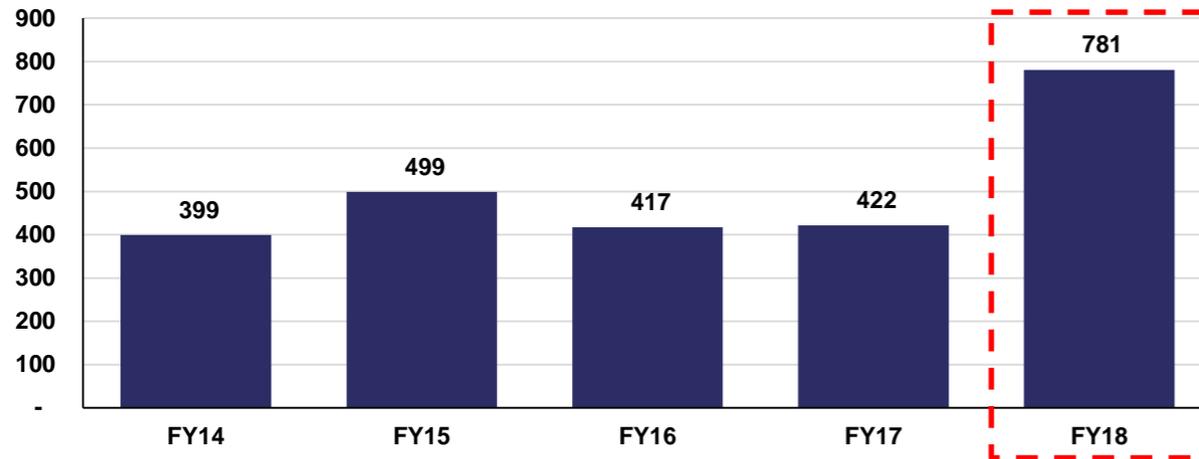
1) FY18 other includes: gain on sale of royalty, investment revaluation, share-based payments expense (non-cash). FY17 other includes: investment revaluation and share-based payments expense (non-cash)

# Earnings Summary

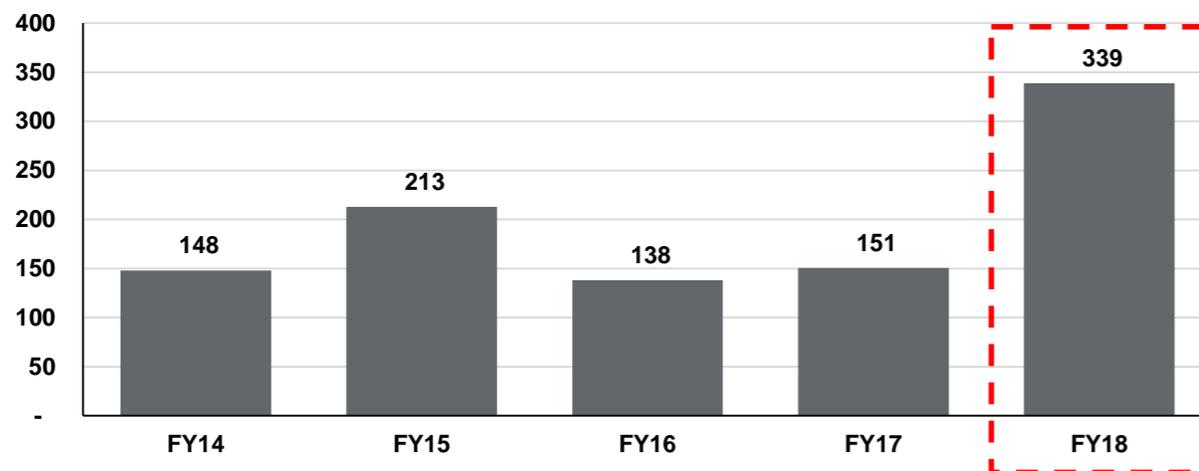


Record revenue, record underlying EBITDA and higher NPAT

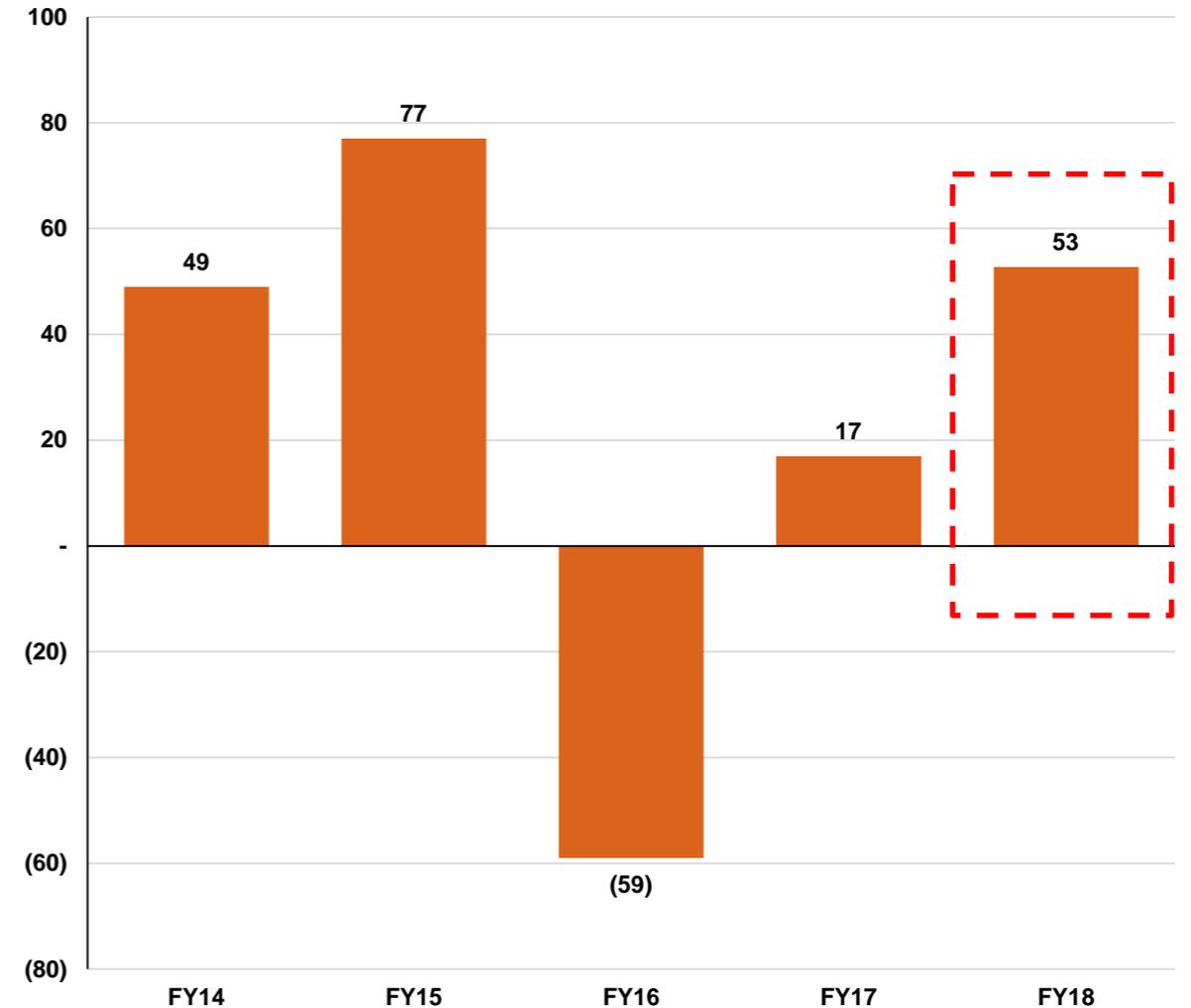
## Revenue (A\$M)



## Underlying EBITDA (A\$M)<sup>(1)</sup>



## NPAT (A\$M)

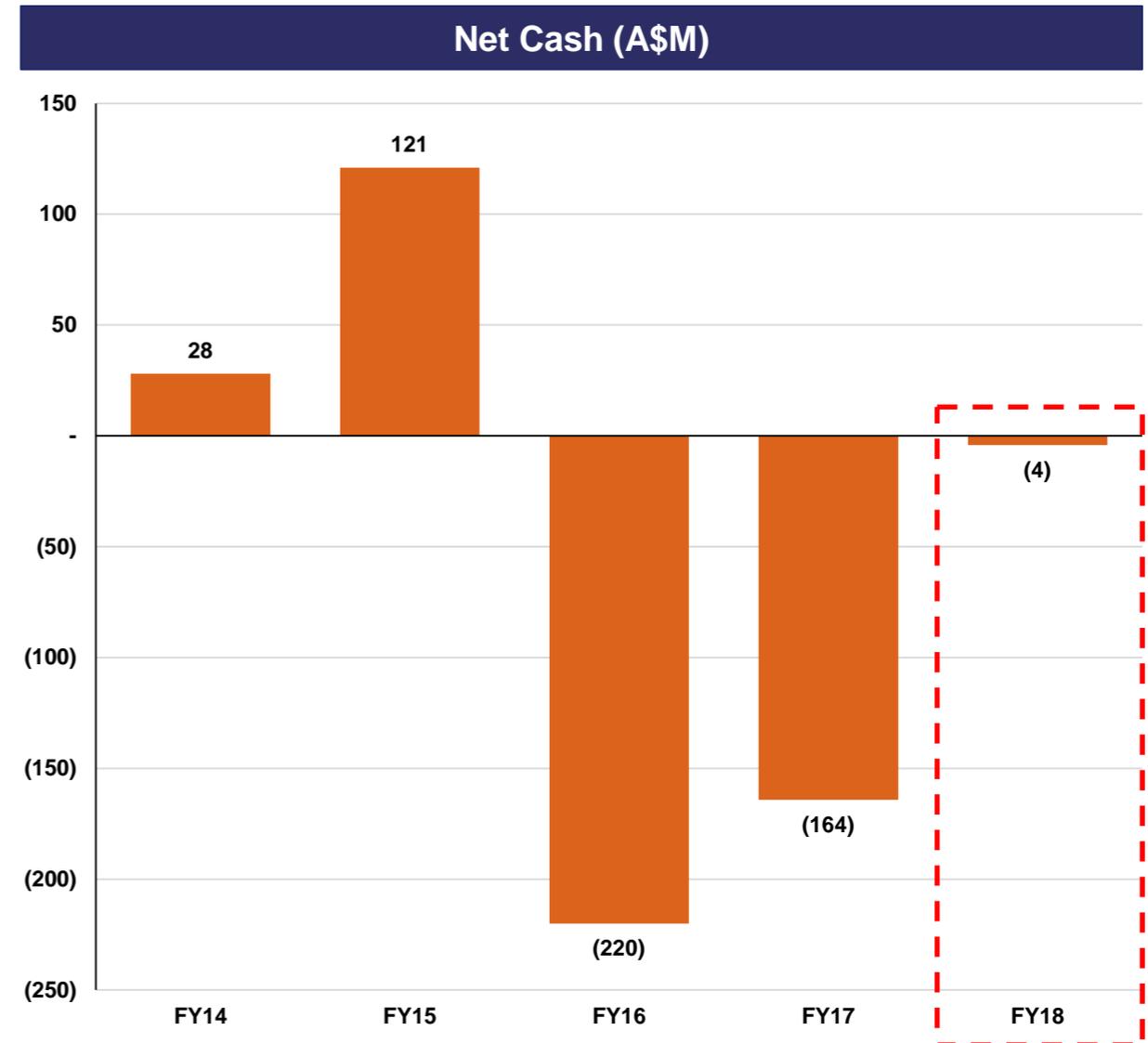
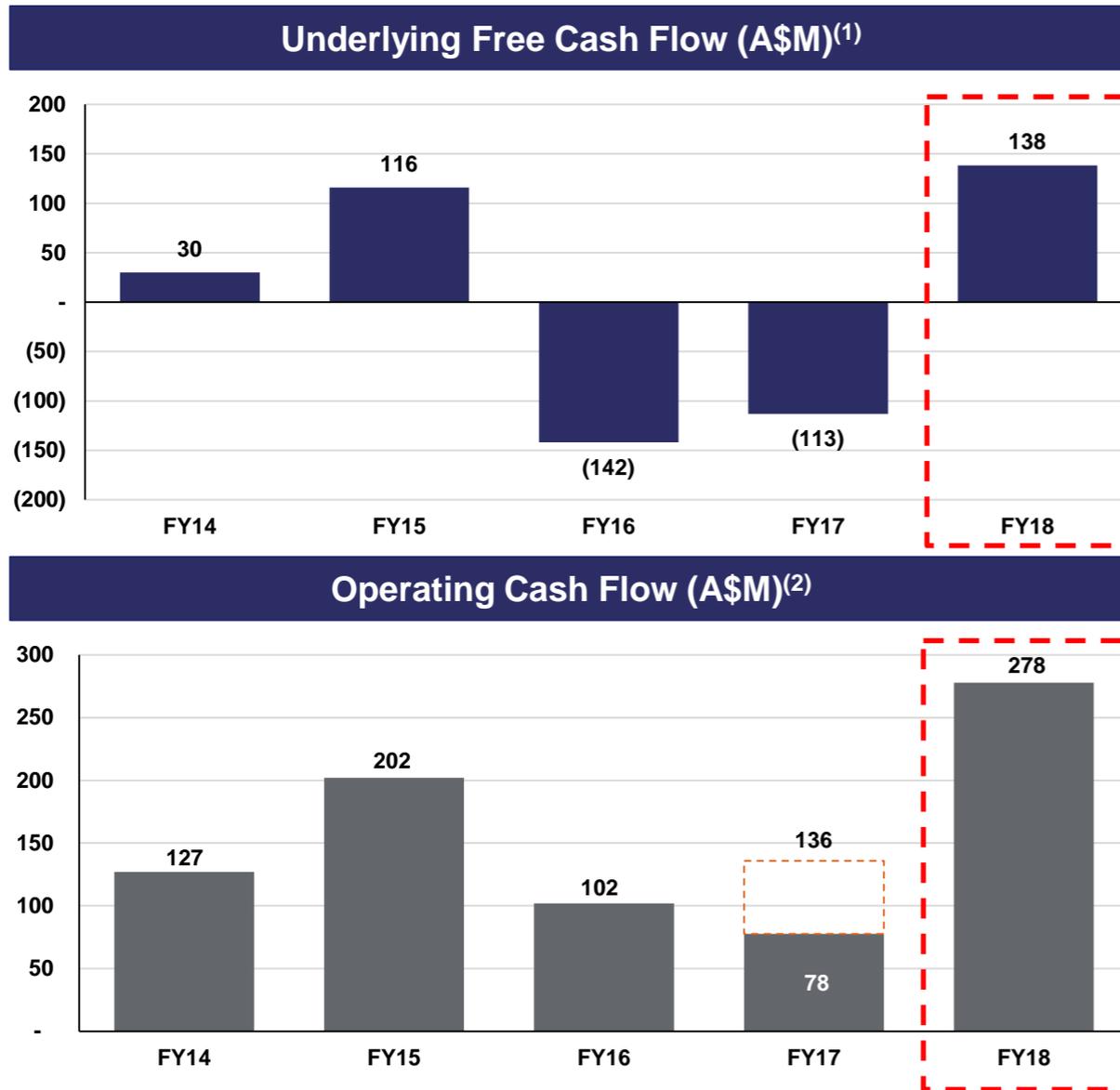


1) Underlying EBITDA is a non-IFRS measure (refer to Disclaimer page)

# Cash Flow Summary



Cash flows strengthening following first year of commercial production at Nova



1) Underlying Free Cash Flow comprises Net Cash Flow from Operating Activities and Net cash Flow from Investing Activities

2) FY17 Operating Cash Flow is net of A\$58M Taxes (Stamp Duty) payment

# Segment Financial Results



Solid performance at Nova and Tropicana provides a strong base for FY19

Operation	Metric	Units	FY17	FY18	Change	Inc/(Dec)
Nova	Revenue	A\$M	-	348.8	348.8	n.a.
	Underlying EBITDA <sup>(1)</sup>	A\$M	-	196.0	196.0	n.a.
	Underlying Free Cash Flow <sup>(2)</sup>	A\$M	-	92.8	92.8	n.a.
Tropicana	Revenue	A\$M	211.9	240.4	28.5	13%
	Underlying EBITDA <sup>(1)</sup>	A\$M	106.1	141.2	35.1	33%
	Underlying Free Cash Flow <sup>(2)</sup>	A\$M	55.6	76.2	20.6	37%
Jaguar	Revenue	A\$M	137.5	112.1	(25.4)	(18%)
	Underlying EBITDA <sup>(1)</sup>	A\$M	50.2	26.9	(23.3)	(46%)
	Underlying Free Cash Flow <sup>(2)</sup>	A\$M	22.1	19.3	(2.8)	(13%)
Long	Revenue	A\$M	70.5	64.8	(5.7)	(8%)
	Underlying EBITDA <sup>(1)</sup>	A\$M	32.1	24.3	(7.8)	(24%)
	Underlying Free Cash Flow <sup>(2)</sup>	A\$M	28.1	19.4	(8.7)	(31%)

## Segment drivers relative to previous corresponding period

- Earnings from Nova are included in the full year results for the first time following declaration of commercial production on 1 July 2017
- Tropicana revenue and earnings increase was driven by higher A\$ gold prices and higher gold sales
- Jaguar revenue and underlying EBITDA decrease was driven by lower zinc and copper production combined with results for only 11 months of the year
- Long reached the end of its mine life, impacting mining activities and grade, and therefore decreasing revenue and earnings

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

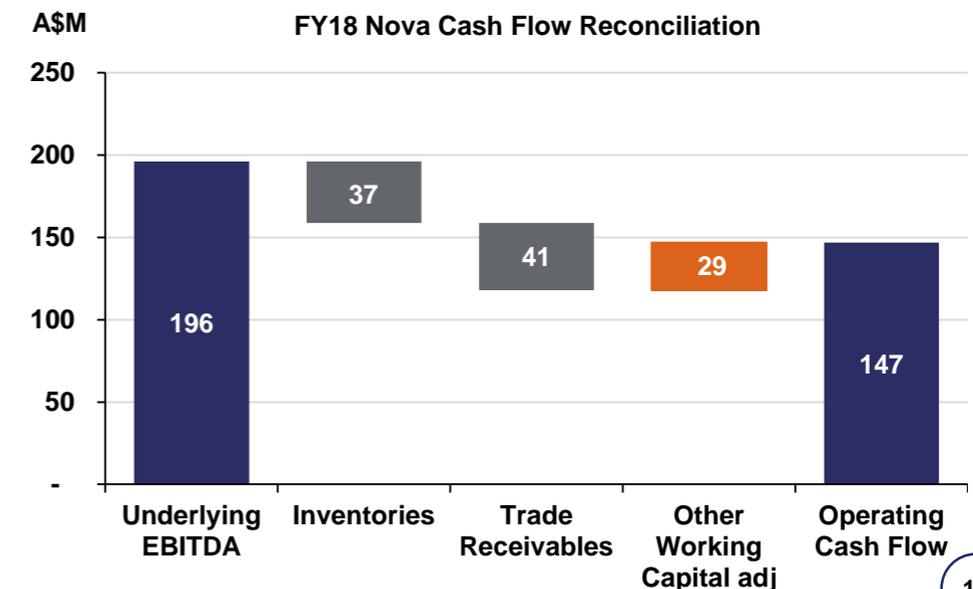
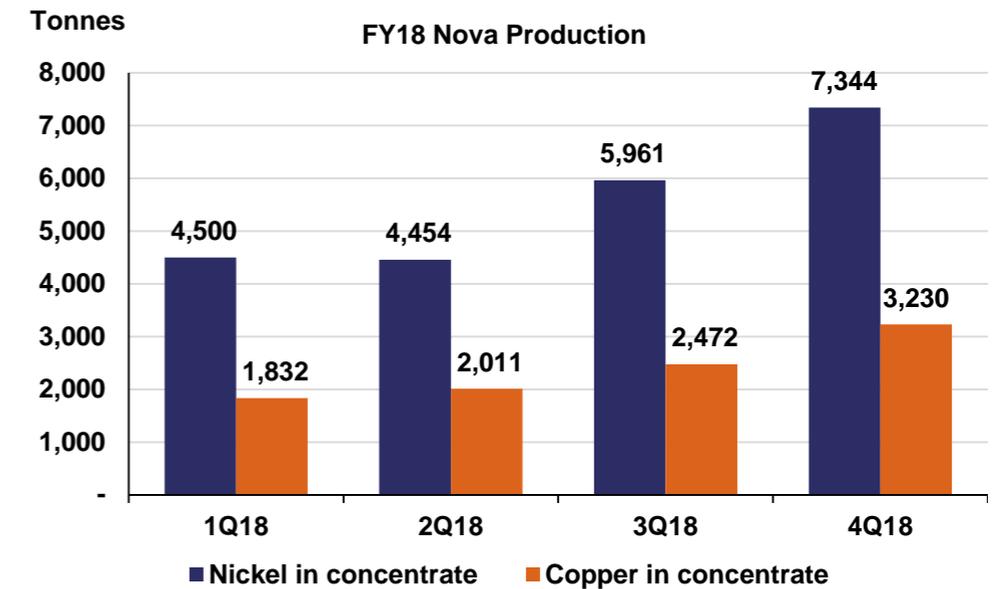
2) Free Cash Flow comprises Net Cash Flow from Operating Activities and Net cash Flow from Investing Activities. Refer to disclaimer page for "Underlying" adjustments

## Nova positioned as the lowest cost nickel producer in Australia

Metric	Units	FY17	FY18	Inc/(Dec)	FY18 Guidance
Nickel in concentrate	t	-	<b>22,258</b>	22,258	23,000 – 27,000
Copper in concentrate	t	-	<b>9,545</b>	9,545	10,000 – 12,000
Cobalt in concentrate	t	-	<b>740</b>	740	800 – 1,050
Cash cost (payable)	A\$/lb Ni	-	<b>2.78</b>	2.78	1.90 – 2.50
Cash cost & Capex	A\$/lb Ni	-	<b>4.51</b>	4.51	n.a.
Development Capex	A\$M	-	<b>53.9</b>	53.9	40 – 44
Sustaining Capex	A\$M	-	<b>5.7</b>	5.7	9 – 13
Exploration expenditure	A\$M	-	<b>8.8</b>	8.8	8 – 10

### FY18 Drivers and Outlook

- Underground grade control drilling to de-risk the understanding of the Nova-Bollinger orebodies continued during FY18 and was completed in July 2018
- Premature failure of some SAG mill liners in mid-June 2018 resulted in production loss and under-delivery relative to low end of nickel concentrate guidance
- Demonstrated capability to sprint at 20% above nameplate capacity, both underground and through the processing plant
- Focused on cost optimisation in FY19 with a number of areas identified for improvement
- Nova downstream processing pre-feasibility study commenced



# Tropicana

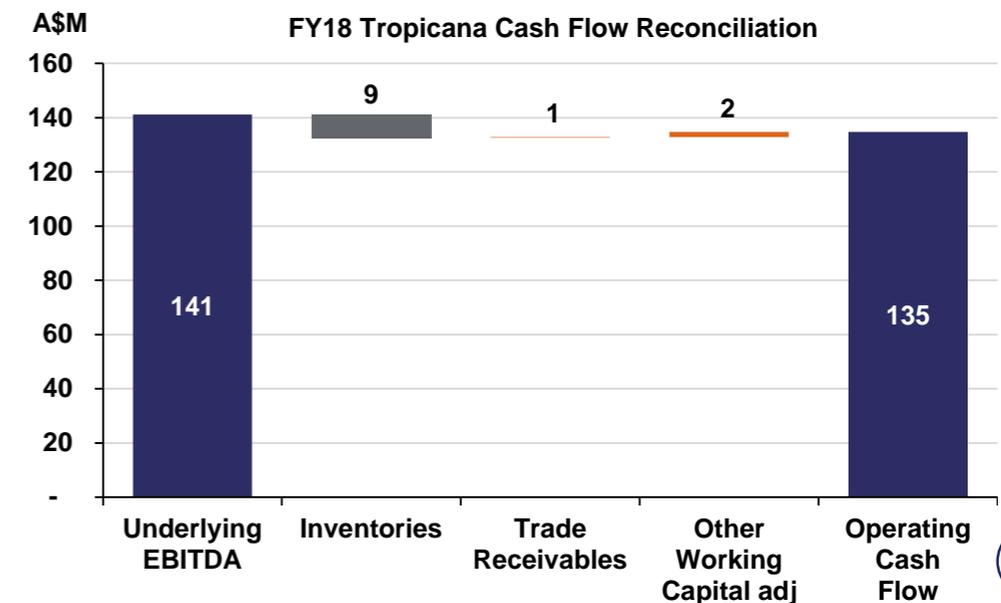
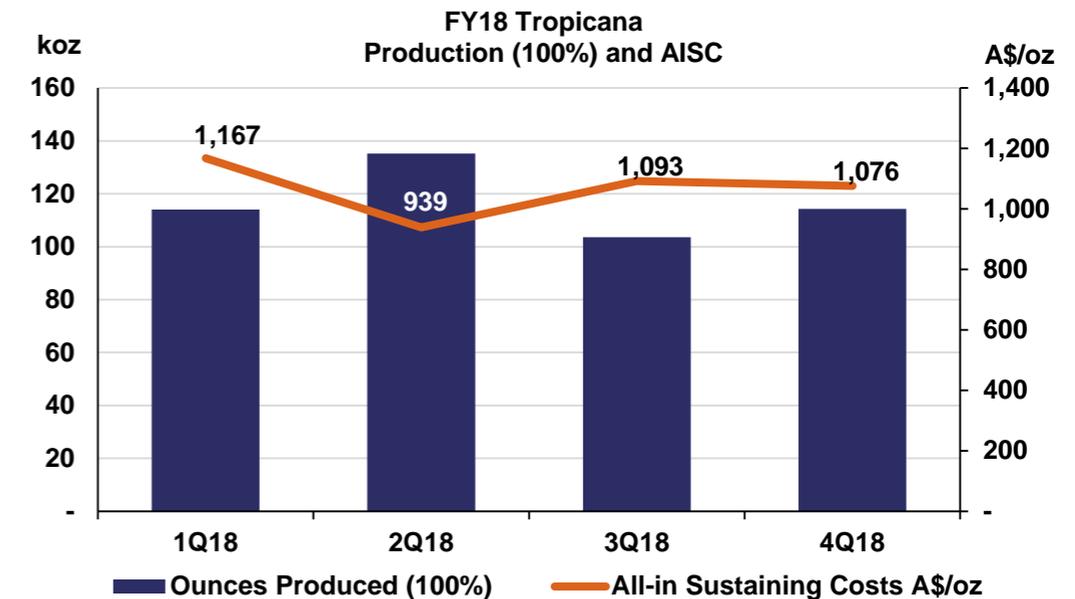
## FY18 gold production better than the mid-point of guidance



Metric	Units	FY17	FY18	Inc/(Dec)	FY18 Guidance
Gold produced (100%)	koz	431.6	467.1	35.5	440 – 490
Gold Sold (IGO 30%)	koz	128.6	138.7	10.1	132 – 147
Cash cost	A\$/oz	817	713	(104)	680 – 750
AISC	A\$/oz	1,162	1,061	(101)	1,060 – 1,170
All-in Costs	A\$/oz	1,261	1,170	(91)	n.a.
Sustaining/improve capex	A\$M	9.7	14.3	4.6	20 – 24
Capitalised waste stripping	A\$M	39.9	43.4	3.5	44 – 55
Exploration expenditure	A\$M	5.6	4.7	(0.9)	4 – 5

### FY18 Drivers & Outlook

- Strong gold production in line with improved mill feed grades, which are attributed to the grade streaming strategy adopted in late FY18
  - Grade streaming is expected to continue in FY19 delivering higher gold production and lower unit costs
- Boston Shaker underground Pre-feasibility Study expected to be completed in 2Q19
- Construction activities for the second 6MW ball mill have commenced and are expected to be completed by December 2018



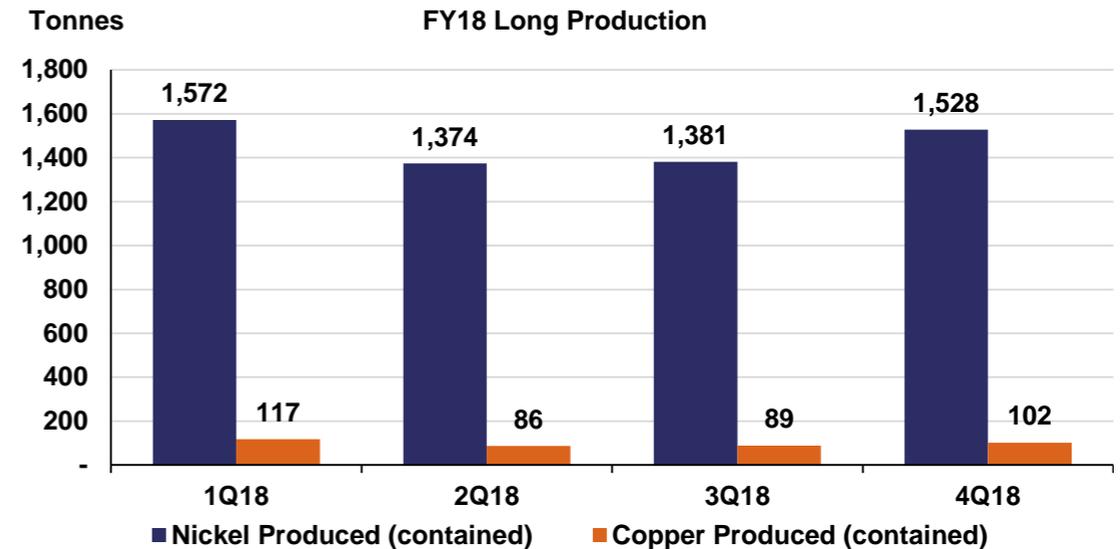
# Jaguar and Long

## Portfolio rationalisation



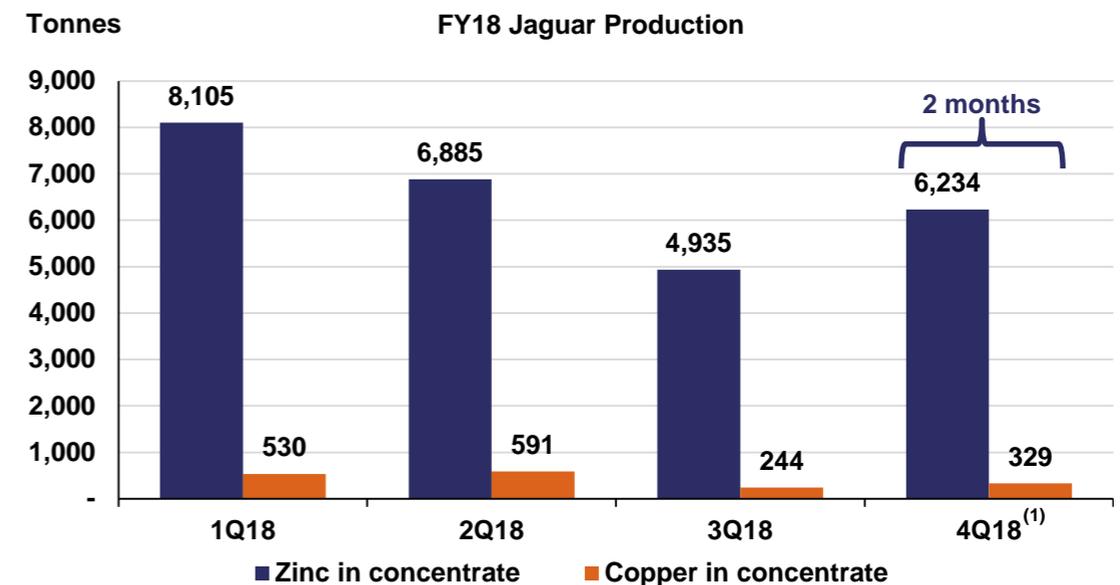
### Long

- Transitioned into care and maintenance in June 2018
  - Local contractor will manage the site during care and maintenance
- Strategic review considering all options will commence following completion of conceptual exploration target testing
  - Divestment, further exploration, recommencement of operations and closure
- Expected to be free cash flow positive in FY19 with working capital receipts more than offsetting care and maintenance costs and final redundancy costs



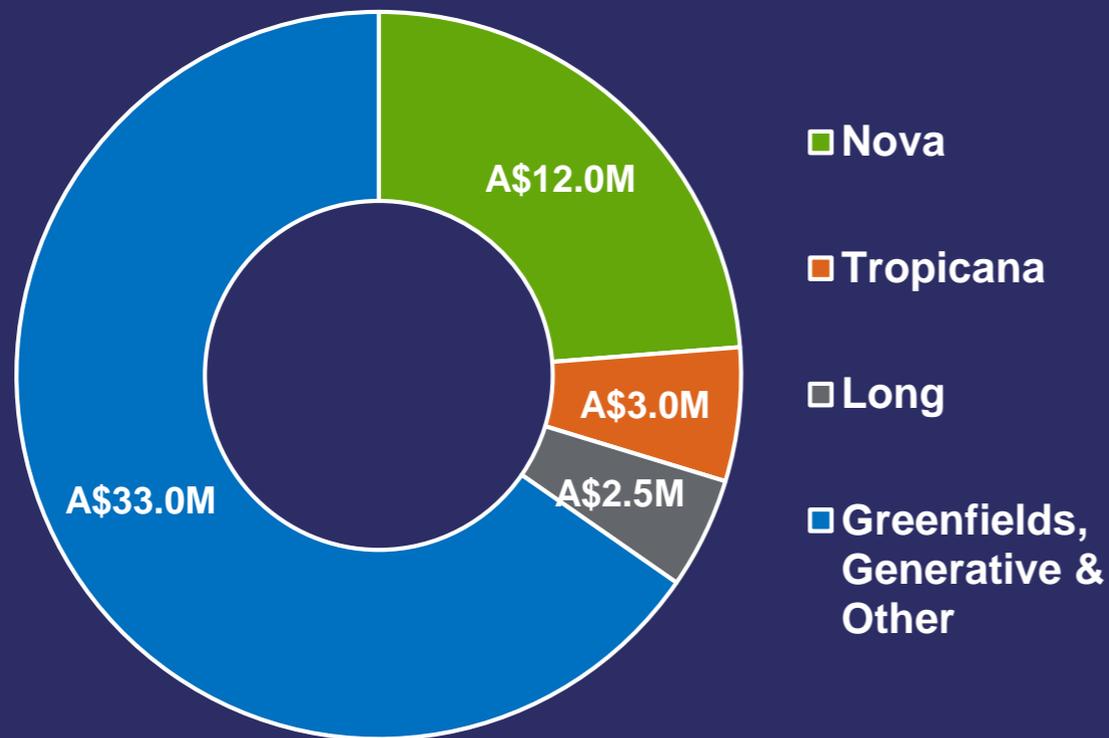
### Jaguar

- Divested Jaguar in May 2018 to CopperChem for a total cash consideration of A\$73M
  - First cash payment of A\$25M received on completion of the transaction on 31 May 2018
  - Three future cash payments of A\$16M scheduled for the anniversaries of the completion date



1) Jaguar production summary is up to 31 May 2018 only

# A\$51M committed to discovery in FY19



**Focused on discovery and organic growth**

## Fraser Range

- Systematic exploration over ~15,000km<sup>2</sup> of consolidated tenure
- ~25,000 line km's of Airborne EM surveys completed

## Nova Mining Lease

- Completed the largest 3D seismic program ever undertaken in Australia
- Planned 20,000m drilling program in FY19

## Lake Mackay

- Multiple polymetallic prospects
- Rock chip samples from Grimlock prospect confirm results with up to 2.5% Co, 1.1% Ni, 46.4% Mn<sup>(1)</sup>

1) Refer to PRX ASX release dated 26 Jul 2018: Lake Mackay JV: Exploration Update

# FY19 Guidance<sup>(1)</sup>



Higher production and lower unit costs expected for both Nova and Tropicana in FY19

Metric	Units	FY19 Guidance
Nickel in concentrate	t	27,000 – 30,000
Copper in concentrate	t	11,000 – 12,500
Cobalt in concentrate	t	850 – 950
Cash cost (payable) <sup>(2)</sup>	A\$/lb Ni	1.65 – 2.00
Sustaining/Improvement Capex	A\$M	21 – 24
Development Capex	A\$M	25 – 28

## Nova Guidance Notes

- Based on updated Ore Reserves and an improved understanding of the Nova and Bollinger orebodies arising from grade control drilling completed to January 2018
- Improvement capex is expected to address mining and processing plant bottlenecks, including the ability for the above nameplate rate of 1.8Mtpa to be delivered on a continuous basis
- Underground capital development expected to be substantially completed in the first half of the year

Metric	Units	FY19 Guidance
Gold produced (100%)	koz	500 – 550
Gold Sold (IGO 30%)	koz	150 – 165
Cash cost	A\$/oz	635 – 705
AISC	A\$/oz	890 – 980
Sustaining/improvement capex	A\$M	21 – 24
Capitalised waste stripping	A\$M	32 – 36

## Tropicana Guidance Notes

- Incorporates continued implementation of the Long Island mining strategy, grade streaming and ongoing process plant improvement projects
- The majority of plant and equipment capex is anticipated to be improvement capex including
  - Completion of the installation and commissioning of the additional 6MW Ball Mill and associated infrastructure
  - Long Island project infrastructure expansions
  - Plant improvement capital
  - Boston Shaker Pre-feasibility Study costs

1) Refer to ASX release dated 27 Jul 2018: IGO June 2018 Quarterly Report

2) In arriving at cash cost guidance for FY19, Management has made commodity price assumptions for determining payable metal credits as follows: copper A\$4.08/lb and cobalt A\$50/lb

# Making a Difference

Focused on short and long term growth

## Tropicana

- Second Ball Mill to increase throughput and gold recovery
- Underground prefeasibility study to demonstrate potential to deliver longer mine life and higher grade contribution

## Nova

- Debottlenecking projects to deliver 1.8Mtpa sustainably
- Continuing focus on improved costs and higher recoveries
- Downstream processing prefeasibility study to demonstrate potential to produce nickel and cobalt sulphates for the energy storage and electric vehicle market

## Exploration

- Enduring investment in exploration to deliver additional mine life at Nova and Tropicana, and a pipeline of organic growth opportunities



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**MAKING A  
DIFFERENCE**



# Concluding Comments

## Nova and Tropicana drive record FY18 results

- Record revenue and underlying EBITDA
- Completed first full year of commercial production at Nova
- Tropicana gold production and Long nickel production both better than mid-point of guidance
- Portfolio rationalised with Long transitioned into care and maintenance and Stockman and Jaguar divestments successfully completed
- Final fully franked dividend of 2c/share declared for FY18 for total FY18 dividends of 3c/share
- Higher production and lower unit costs from Nova and Tropicana expected in FY19
- Continued \$51M commitment to exploration in FY19 with a focus on Nova and the Fraser Range





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