



CHAIRMAN'S ADDRESS – 2016 ANNUAL GENERAL MEETING

Dear fellow shareholders,

The Independence Group, or IGO, is a diversified mining, development and exploration company that has been developing the world class Nova Project containing nickel, copper and cobalt as well as producing gold, nickel, copper, zinc and silver from three mining operations in Western Australia.

IGO has a strong sense of purpose, focused on the creation of long term shareholder value through discovery, acquisition, development and operation of high-margin and long-life mining projects, diversified by commodity and geography.

FY16 was a year of considerable achievement against a backdrop of low base metal commodity prices not seen for many years. However, notable achievements during the year included:

- completed the acquisition and integration of the Nova Project into the IGO group;
- completed the Nova project Optimisation Study demonstrating significant value up-lift;
- progressed the construction and underground development at Nova, on time and on budget, with first production of concentrate now commenced;
- Tropicana Gold Mine celebrated the one million ounce milestone;
- significant investment at Tropicana to expand processing capacity to 7.5mtpa, a 30% increase, and to unlock additional resource potential to extend mine life and reduce costs (the Long Island study);
- effective management of our 100% owned operations at Jaguar and Long to generate positive cash flow during the recent period of low base metal commodity prices;
- rationalised exploration activities and expenditure in response to capital allocation requirements with a focus on belt scale exploration opportunities and mine life extensions; and
- continued to strengthen the Company's management team and systems to meet the needs of a growing business.

Looking forward there are indications that base metal prices are recovering from cyclical lows and this potentially coincides with commencement of production at Nova and ramp up to full production next year. Nova not only significantly grows the size of our business but increases our exposure to base metals and positions IGO to reap the substantial financial returns in a strengthening base metals price scenario.

The Tropicana Gold Mine delivered according to plan for the year, although with the cessation of grade streaming in December 2015, production was lower and cash costs were higher in the second half year as forecast. Jaguar and Long delivered excellent outcomes with improved productivity and cost control in response to the challenges presented by declining metal prices. All operations consistently delivered cost and production performance broadly in line with guidance which is a credit to our employees.



Although we scaled back our brownfields and greenfields exploration expenditure in FY16 to re-direct investment dollars to the development of Nova and Tropicana activities, exploration initiatives were advanced on several fronts. At Jaguar we undertook underground drilling to convert resources to reserves to extend mine life, progressed drilling of the Triumph discovery and re-assessed target generation along the 50km long corridor prospective for VMS deposits. On our greenfields projects at Bryah Basin, Fraser Range and Tropicana in Western Australia and Lake Mackay in Northern Territory, we continued belt scale early exploration programs targeting gold and base metals discoveries. Organic exploration leading to discovery remains a core part of IGO's business development strategy and consequently \$33M has been allocated to unlocking the exploration potential in these highly prospective areas.

On a more sober note, the consolidated financial result for the year was a net loss of \$59M after tax, compared to a net profit of \$77M after tax for the prior year. The key negative drivers for FY16 were related to reduced revenue from lower production and lower metal prices, exploration impairments and one-off acquisition costs related to the Sirius transaction. However, it is worth noting that the underlying EBITDA for the year was positive at \$137M.

Despite the financial loss for the year, the underlying fundamentals of IGO remain not only strong but have been significantly enhanced as a result of the FY16 achievements outlined above. Additionally, in July 2016, the Company undertook an institutional placement and share purchase plan which raised approximately \$280M. The purpose of the equity raising was to reduce our debt requirements, strengthen the balance sheet and provide greater financial flexibility.

The combination of these activities over the past 12 to 18 months has substantially improved IGO's sustainability and platform for growth and positions IGO for significant transformation in the coming years through increased cash generation and dividend payments, a strong exploration focus on discovery of tier 1 assets and potential accretive acquisitions.

IGO recognises that our most important asset is our people and consequently the Company is increasing its investment in the development of our people and associated systems and procedures. Measures implemented include the building of a strong culture characterised by our people and the "IGO Way", skills development, building motivated and engaged teams, increasing our diversity, a strong emphasis on indigenous employment and supporting our leaders of the future through employment of vacation students, apprentices and graduates and support to educational institutions.

Last year IGO produced its first Sustainability Report which received very positive comments and was highly commended and recently we published our second report which continues to demonstrate our increasing organisational capability and growing maturity of the Company. I commend the report to shareholders.

Finally I would like to acknowledge that our achievements are only possible through the dedication and high performance of our employees and through the support and contributions of our stakeholders, of which there are many. IGO stakeholders include our shareholders, staff and contractors, the government and our regulators, our host communities, our traditional owners and the public in general.

On behalf of the board of directors I take this opportunity to sincerely thank our employees and stakeholders for their contributions to and support of IGO as we continue to grow a long term and sustainable business of meaningful scale that delivers superior returns to all our stakeholders.

Thank you.

Peter Bilbe
Chairman