



Independence Group



25 May 2015

INDEPENDENCE TO ACQUIRE SIRIUS

Creation of a leading Australian diversified mining company

Independence Group NL (“**Company**” or **IGO**) (ASX: IGO) and Sirius Resources NL (“**Sirius**”) (ASX: SIR) are pleased to announce the execution of a binding Scheme Implementation Deed (**SID**) under which IGO has agreed to acquire all the issued capital of Sirius by way of an Acquisition Scheme of Arrangement (the **Acquisition Scheme**).

The transaction will create a leading diversified Australian mining company with a strong portfolio of high margin / long life mining assets, across a range of base and precious metals. The Boards of both IGO and Sirius believe that the combination of IGO’s strong cash flow and balance sheet and Sirius’ class leading Nova-Bollinger project is compelling for shareholders of both companies.

In addition, Sirius will undertake a demerger of its Polar Bear and Scandinavian exploration assets, which includes the recently discovered Baloo gold deposit, (**Demerger**) via a Demerger Scheme of Arrangement (**Demerger Scheme**), allowing Sirius shareholders to retain full exposure to the value and upside of these assets in a new listed vehicle. The vehicle will be called S2 Resources Ltd (**S2**) and will be led by Sirius’ founding Managing Director, Mark Bennett.

The Board of Sirius has unanimously recommended that all Sirius shareholders vote in favour of the Transaction Resolutions, as defined below, in the absence of a superior proposal. Major shareholder, Mr Mark Creasy, also supports the transaction, in the absence of a superior proposal.

Transaction Summary

- Transaction to be implemented via two inter-conditional Schemes of Arrangement (the Acquisition Scheme and the Demerger Scheme), and a capital reduction to effect the Demerger (Transaction).
- In exchange for their shares, Sirius shareholders will receive:
 - 0.66 IGO shares for every one (1) Sirius share held;
 - Cash consideration of 52 cents per Sirius share; and
 - Circa one (1) S2 share for every 2.5 Sirius shares held. S2 will hold the Polar Bear and Scandinavian asset portfolio currently owned by Sirius, plus approximately A\$22 million cash upon listing.
- The Acquisition Scheme values the aggregate acquisition price of Sirius at A\$4.38 per share or A\$1.8 billion, excluding the additional value received by Sirius shareholders from their shareholding in S2. This represents a 35% premium to Sirius’ closing share price, a 46% premium to Sirius’ one-month VWAP and a 47% premium to two-month VWAP¹.
- Sirius shareholders will be entitled to receive the IGO final dividend provided the Acquisition Scheme is implemented prior to 30 September 2015.
- Sirius’ major shareholder, Mr Mark Creasy, has advised Sirius that the entities he controls intend to vote in favour of the Acquisition Scheme, the Demerger Scheme and the associated capital reduction

¹ The premium to Sirius’ closing price is based IGO’s closing share price of \$5.85 as close of business on 22 May 2015. One month and two month premia based on IGO 1 month and 2 month VWAPs ended 22 May 2015 of \$5.86 and \$5.64.

resolution to effect the Demerger (**Transaction Resolutions**)², and all other resolutions put to Sirius shareholders at the meetings to implement the Demerger (including the capital reduction resolution) and otherwise to prepare S2 for listing, in the absence of a superior proposal.

- The Sirius Board unanimously recommends that all Sirius shareholders vote in favour of the Transaction Resolutions, as well as any other resolutions put to Sirius shareholders at the meetings.
- The directors of Sirius intend to vote in favour of the Transaction Resolutions and any general meeting resolutions in relation to their personal share holdings in Sirius, in the absence of a superior proposal (and subject to any other applicable voting restrictions).
- The Transaction is subject to approvals by Sirius shareholders at meetings expected to be held in late August 2015.

Transaction Rationale

The Boards of IGO and Sirius believe that the combination of the two companies has a clear strategic rationale and will generate significant value for the shareholders of both companies.

Shareholders will have exposure to IGO's portfolio of production, development and exploration projects, including the 30% owned Tropicana gold mine, the 100% owned Long nickel mine, and the 100% owned Jaguar copper/zinc mine, as well as the 100% owned Stockman copper/zinc development project.

Shareholders will also benefit from the growth potential of Sirius' world-class Nova-Bollinger nickel/copper development project, which is fully financed, currently under construction and remains on track to be generating significant cash flow from 2017.

The combined entity would have a pro forma market capitalisation of ~\$2.7 billion³, making it a leading ASX-listed mining company, with significant strategic value and the potential to attract strong global investment interest. The merged entity has potential to become an ASX100 company, be well positioned to leverage its increased scale to deliver enhanced efficiencies and will have the capacity to pursue further value-accretive growth opportunities.

Benefits to Sirius Shareholders

Sirius shareholders:

- Receive a significant premium of 35% to Sirius' closing share price, a 46% premium to Sirius' one-month VWAP and a 47% premium to Sirius' two-month VWAP⁴;
- Gain the benefit of immediate cash flow from IGO production assets, whilst retaining ongoing exposure to the world-class Nova Bollinger nickel/copper development project;
- Receive 52 cents per share cash payment;
- Receive the IGO final dividend (IGO's dividend policy is to pay a minimum of 30% of net profit after tax)⁵;
- Will become shareholders of a leading gold and base metals production company with a strong balance sheet and diversified portfolio of production and development assets, that is uniquely positioned on the Australian Securities Exchange (**ASX**);
- Benefit from an experienced production team;
- Benefit from the balance sheet strength of IGO; and
- Continue to be fully exposed to the exploration potential of S2, to be led by Sirius' founding Managing Director, Mark Bennett.

² The Transaction Resolutions are inter-conditional, which means that neither scheme will be implemented unless all of the Transaction Resolutions receive the requisite Sirius shareholder approval and (in the case of the Demerger Scheme and the Acquisition Scheme), court approval.

³ Based on closing market capitalisation of IGO and SIR as at close of 22 May 2015.

⁴ Excludes additional value received by Sirius holders from their shareholding in S2.

⁵ Sirius shareholders will be entitled to receive the IGO final dividend provided the Scheme is implemented prior 30 September 2015.

Benefits to IGO Shareholders

IGO shareholders:

- Benefit from the significant value IGO believes will be generated from the acquisition of Sirius;
- Gain exposure to the world-class Nova-Bollinger nickel/copper development project while retaining the ongoing IGO production profile – all assets being located in a tier one mining jurisdiction;
- Benefit from Sirius' experienced development team;
- Secure growth and long-term cash flow;
- Will be shareholders of a leading gold and base metals production company with a diversified portfolio of production and development assets that is uniquely positioned on the ASX; and
- Gain exposure to a consolidated and dominant exploration portfolio in the highly prospective Fraser Range and Tropicana belts.

Sirius Board Recommendation

The Board of Sirius has unanimously recommended that, in the absence of a superior proposal, all Sirius shareholders vote in favour of the Transaction Resolutions, and any other resolutions put to Sirius shareholders at the meetings to implement the Demerger and otherwise to prepare S2 for listing.

The Sirius Board members intend to vote in favour of the Transaction Resolutions and any general meeting resolutions in relation to their personal share holdings in Sirius, in the absence of a superior proposal (and subject to any other applicable voting restrictions).

Managing Director Comments

IGO Managing Director, Mr Peter Bradford said: *"This transaction creates a leading diversified Australian mining company with an outstanding and rapidly growing production profile, a strong balance sheet, and excellent current and future cash flows. It provides an outstanding outcome for all parties.*

"The acquisition of Sirius continues our stated strategy of building a diversified mining company with a balanced portfolio of exploration, development and producing assets, focusing on high-margin and long life. The proximity of the Sirius and IGO assets in Western Australia creates opportunities to realise synergies and cost efficiencies across a dominant land-holding position. This transaction is significantly NAV accretive for Independence shareholders.

"We are also delighted that Dr Mark Bennett and Mr Neil Warburton have agreed to join the IGO board and believe their skill sets will be of significant value to IGO going forward."

Sirius Managing Director, Dr Mark Bennett said: *"This transaction provides a great outcome for Sirius shareholders and I am proud of what Sirius and its employees have achieved for all shareholders and stakeholders in our short history.*

"The Board and management of Sirius have full confidence in the ability of Mr Peter Bradford and the IGO team to drive the combined company's projects forward and create significant value for shareholders. The combination of the Sirius development and IGO operational teams, together with their joint exploration experience, will be unrivalled.

"I am looking forward to joining the Board of IGO, and to continue my involvement with the ongoing success of the Nova-Bollinger project and the combined entity.

"I am also excited about the opportunities available to Sirius shareholders through the creation of S2, the demerged entity which will include the Baloo discovery and the recently acquired exploration assets in Scandinavia. As Managing Director of this new exploration vehicle, I am looking forward to replicating the success of Sirius with our team at S2."

Creasy supportive of Proposed Transaction

Mr Creasy, who controls entities holding a 34.59% interest in Sirius (**Creasy Group**), has advised Sirius that, in the absence of a superior proposal, the Creasy Group intend to vote in favour of the scheme of arrangement to effect the merger of Sirius with IGO, the S2 Demerger and all resolutions to be put to a general meeting of Sirius shareholders, including the capital reduction and other resolutions relating to implementation of the Demerger, and otherwise in preparation for listing S2 on ASX with respect to the entire 34.59% Creasy Group interest.

Assuming the proposed transaction proceeds, the Creasy Group will control approximately 18.6% of IGO.

In relation to the acquisition, Mr Creasy said:

“This transaction brings together the producing assets of Independence and the near production asset of Sirius. The combination of current and future cash flows and diversification of commodities will create a substantial producer that will better be able to manage any increase in volatility in capital and commodity markets.”

“There will be operational efficiencies given the close proximity of the WA assets of the parties in the southern part of the Eastern Goldfields. The extensive mining experience of IGO will be of additional benefit in the development of the Nova-Bollinger project. Further, the shareholders of the merged entity will be exposed to the unrealised exploration potential of both the Fraser Range and the Tropicana belts.”

Mr Creasy also expressed his appreciation of the first class work done by Mark Bennett and the Sirius exploration and development teams.

Transaction Detail

IGO and Sirius have executed a Scheme Implementation Deed (SID), under which IGO will acquire all of the issued shares in Sirius. Under the terms of the proposed Acquisition Scheme, Sirius shareholders will receive 0.66 IGO shares and 52 cents cash, for every Sirius share they hold. Further information in relation to the Acquisition Scheme will be set out in the Acquisition Scheme booklet, currently expected to be released around mid-July.

Sirius and S2 have entered into a Demerger Implementation Deed (DID), under which Sirius will demerge S2 via a capital reduction, and Sirius shareholders are currently anticipated to receive circa one (1) share in S2 for every 2.5 Sirius shares they hold.

The capital reduction to effect the Demerger will require Sirius shareholder approval, and certain other items necessary to prepare S2 for its eventual listing may also be put to Sirius shareholders for approval. More information in relation to the Demerger Scheme, the capital reduction and any other resolutions in relation to S2 will be set out in the Demerger Scheme booklet, currently expected to be released around mid-July.

The Transaction Resolutions are conditional on each other.

Details on S2

As part of the Scheme, Sirius shareholders are currently anticipated to receive circa one (1) share in S2 for every 2.5 Sirius shares held. S2 will own the highly prospective Polar Bear gold assets located in the Norseman region of Western Australia as well as a portfolio of gold and base metal exploration assets located in Scandinavia. S2 will apply for listing on ASX and is expected to have ~\$22 million in cash on listing, net of listing costs. Key details of S2 are summarised below:

- A new ASX listed exploration company led by Dr Mark Bennett – Sirius’ multi-award winning explorer responsible for the discovery of Nova itself, and other mines including the Thunderbox gold mine and the Waterloo nickel mine, who has led Sirius’ growth and financing from inception as its Managing Director;
- Owns 100% of Polar Bear and associated projects including the recently discovered Baloo gold deposit;

- Owns a 67% direct interest in Norse Exploration and private Finnish company Sakumpu Exploration Oy – now one of the largest mineral title holders in highly prospective districts of Finland and Sweden, and led by several international award-winning explorers responsible for the discovery of several world class nickel, copper, zinc and gold mines;
- Approximately A\$22 million cash on listing; and
- Ready-made team built around the original Sirius exploration team, and Sirius directors Anna Neuling and Jeff Dowling.

Details of the Scheme Implementation Deed

The Scheme will be subject to customary conditions set in the SID (full copy attached in Annexure A) such as:

- Approval being received from the shareholders of Sirius and court approvals in relation to both the Acquisition Scheme and the Demerger Scheme;
- Regulatory approvals;
- That the Independent Expert concluding that the Scheme is in the best interests of Sirius shareholders, and not changing that conclusion;
- Receipt of 75% acceptances of private treaty offers to all holders of each class of Sirius unlisted securities; and
- Other conditions customary for a public transaction of this nature.

Sirius will shortly execute documents in relation to the Demerger, in a form that has been agreed with IGO.

Exclusivity Arrangements

The parties have agreed that unless the SID is terminated, Sirius will not solicit any competing proposal or participate in any discussions or negotiations in relation to any competing bid (unless failure to do so would involve a breach of the fiduciary duties of its Directors). See Annexure A for further details.

IGO Board

The existing members of the IGO Board will remain following the Acquisition Scheme. In addition, existing Sirius board members, Dr Mark Bennett and Mr Neil Warburton will be invited to join the IGO Board on the date the Acquisition Scheme is implemented.

Sirius Option Holders

The Acquisition Scheme extends to any Sirius shares that are issued as a result of the exercise of Sirius options, and the issue of 400,000 shares issued to the Ngadju people in accordance with existing agreements prior to the record date for the Acquisition Scheme.

IGO will also enter into private treaty arrangements with the holders of Sirius unlisted securities to acquire or cancel their unlisted securities in exchange for either cash or IGO securities.

Indicative Timetable

Shareholders of Sirius will be asked to approve the Acquisition Arrangement and the Demerger Scheme at meetings which are expected to be held in late August 2015.

Full particulars of the Schemes, transaction terms and recommendations will be provided to Sirius shareholders through two Explanatory Booklets which will both include an Independent Expert's Report. It is expected that these booklets will be mailed to Sirius shareholders in late July 2015.

Sirius shareholders are not required to take any action at this stage in relation to either of the Schemes of Arrangement.

Principal Advisors

Hartleys Limited is corporate adviser and Ashurst is legal adviser to Sirius in respect of the Schemes.

UBS AG is corporate adviser, Herbert Smith Freehills is legal adviser and Euroz and Treadstone Partners are advisers to IGO in respect of the Schemes.

ENDS

Analyst Conference Call

A conference call will be held at 10am to discuss the transaction. To listen in live, please click on the link below and register your details.

<http://webcasting.brrmedia.com/broadcast/138729>

Further Information

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About IGO

More information can be found at www.igo.com.au

About Sirius

More information can be found at www.siriusresources.com.au

References

- A. Scheme Implementation Agreement
- B. Investor Presentation