



## INDEPENDENCE GROUP NL

### 2012 FINANCIAL YEAR FULL YEAR RESULTS AND FINAL DIVIDEND

Independence Group NL, ABN 46 092 786 304 (IGO), presents its full year results for the year ended 30 June 2012 and announces its final dividend.

#### FINANCIAL SUMMARY

- **Cash and cash equivalents of \$192.7 million** (FY2011: \$288.0 million) and **debt of \$23.4 million** (FY2011: \$28.5 million).
- **\$285.3 million Net Loss after Tax** (FY2011: \$5.5 million Net Profit After Tax), which includes after tax non-cash impairments of \$288.0 million (\$372.4 million before tax). These before tax items comprise the previously announced \$157.7 million impairment of Jaguar/Bentley Operation and associated goodwill as at 31 December 2011, a further \$98.2 million impairment of this Operation and a \$116.5 million impairment of previously capitalised exploration costs and historic project valuations.
- **Underlying Earnings Before Interest, Tax, Depreciation and Amortisation<sup>1</sup> of \$33.6 million** (FY2011: \$56.3 million). **Revenue of \$216.6 million** (FY2011: \$162.5 million).
- **Operating cash flows of \$32.0 million** (FY2011: \$52.8 million).
- **Fully franked Final Dividend of 1.0 cent per share announced.**
- **Total dividends paid during the year were 5.0 cents per share (FY2011: 7.0 cents).**

#### OPERATIONAL SUMMARY

- **Tropicana Gold Project JV** [IGO 30%]: Development and construction progressed significantly during the year, with construction and mining on target to achieve the first gold pour in the December quarter 2013. IGO's attributable gold production is estimated to average in the range of 141,000 ounces to 147,000 ounces of gold during the first three years of production, with cash costs in those years of A\$580 to A\$600 per gold ounce and cash costs over 10 years averaging A\$710 to A\$730 per gold ounce<sup>2</sup>.
- **Tropicana highlights** during the year included the completion of the 220km access road to the site, the completion of the airstrip to allow access initially for 30 seat turbo prop aircraft (and soon 100 seat jet aircraft), the Tropicana Village reaching an accommodation level for 450 personnel in the June quarter 2012, engineering for construction reaching practical completion, commencement of construction of the treatment plant and supporting infrastructure and commencement of Havana Pit pre-strip with the mobilisation of the start-up mining fleet. As at 30 June 2012 the Project had reached the 50% milestone on the pathway to completion (ie. engineering, drafting, procurement, contracts and construction tasks).
- **Tropicana Resources** increased during the year from 5.36 million ounces of contained gold to 6.41 million ounces<sup>3</sup> (IGO share 1.9 million ounces of contained gold).
- **Long Nickel Operation** [IGO 100%]: The year's production of 9,995 tonnes of contained nickel metal (FY2011: 9,753 tonnes) was the highest achieved by the Operation in any year of the last decade. Payable cash costs including royalties for the year were A\$4.74<sup>4</sup> per pound nickel (FY2011 A\$4.48).
- **Jaguar/Bentley Operation** [IGO 100%]: The year's production was 7,257 tonnes of contained copper metal (FY2011: 8,468t), 16,569 tonnes of contained zinc metal (FY2011: 14,671t) and 577,726 ounces of contained

<sup>1</sup> See footnote 7 on page 3 for definition of underlying EBITDA.

<sup>2</sup> IGO 11 Nov 2010 ASX Release.

<sup>3</sup> IGO 29 Nov 2011 ASX Release.

<sup>4</sup> This is the finalised figure. The cost of A\$4.79 per pound Ni referred to in the June 2012 quarterly report was a preliminary figure.



silver metal (FY2011: 451,504 ounces). The payable cash costs including royalties were A\$0.58 per pound zinc (FY2011: negative A\$0.14 per pound zinc)<sup>5</sup>.

- **Stockman Project** [IGO 100%]: Preparation of the Definitive Feasibility Study and Environmental Effects Statement for this copper/zinc/silver/gold project in Victoria progressed well during the year. The Approvals process is continuing.
- **Karlawinda Project** [IGO 100%]: This gold project in Western Australia moved to Scoping Study stage during the year, evaluating an open pit carbon-in-leach and/or heap leach processing scenarios. Late in the year the Bibra deposit Inferred Mineral Resource estimate was increased by 207% to 674,300 ounces of contained gold.<sup>6</sup>

## RESULT FOR THE YEAR ENDED 30 JUNE 2012

**Revenue** from continuing operations for the year increased by 32% to \$216.6 million (FY2011: \$162.5 million) due primarily to the addition of a full year's revenue contribution from Jaguar/Bentley Operations of \$87.7 million. Offsetting this was an \$18.9 million decline in nickel segment revenues as a result of a 13% fall in average realised nickel prices to A\$8.98 per pound.

**Earnings** during the year have been heavily impacted by non-cash impairments of previously capitalised exploration costs and historic project valuations and of the Jaguar/Bentley Operation and associated goodwill effected as at 31 December 2011 and 30 June 2012. IGO acquired the Jaguar/Bentley Operation via the acquisition of Jabiru Metals Limited in April 2011. At December 2011, management determined that the carrying values of that Operation's assets and goodwill needed to be re-assessed as a result of falling commodity prices, a strong A\$ and geotechnical issues experienced at the Jaguar mine shortly after the mine was acquired. An impairment of \$137.7 million after tax was booked as at 31 December 2011. Ongoing concerns and uncertainty as to world economic conditions have continued to put pressure on commodity prices during the six months ended 30 June 2012. As a result, management further assessed the carrying value of the Jaguar/Bentley Operation and considered it appropriate to book a further after tax impairment charge of \$68.7 million.

Furthermore, IGO conducted an extensive review of the carrying value of its exploration costs and historic project valuations. Previously capitalised exploration costs and valuations associated with Jaguar regional exploration and the Stockman Project largely comprise values determined by an independent valuer as at April 2011, when these areas were acquired as a result of the acquisition of Jabiru Metals Limited. Following that review, IGO concluded that an after tax impairment of \$81.5 million was warranted. This amount includes a before tax impairment of \$56.4 million for April 2011 capitalised Stockman value, and a \$38.3 million impairment for combined Jaguar regional exploration costs and April 2011 values. This was as a result of a continuing strong A\$ and depressed commodity prices. Notwithstanding the impairments, management still considers these areas to be highly prospective.

IGO recorded a net loss after tax for the year of \$285.3 million which includes impairments as outlined below.

| \$'M                                         | 31-Dec-11    | 30-Jun-12    | Total<br>FY 2012 |
|----------------------------------------------|--------------|--------------|------------------|
| Jaguar regional exploration costs            | 0.1          | 38.2         | 38.3             |
| Stockman exploration costs                   | 0.0          | 56.4         | 56.4             |
| Other capitalised exploration costs          | 3.1          | 18.7         | 21.8             |
| Jaguar/Bentley mine properties               | 43.0         | 64.7         | 107.7            |
| Jaguar/Bentley property, plant and equipment | 23.6         | 33.5         | 57.1             |
| Goodwill                                     | 91.1         | 0.0          | 91.1             |
| <b>Before tax impairments</b>                | <b>160.9</b> | <b>211.5</b> | <b>372.4</b>     |
| Tax benefit                                  | -20.9        | -63.6        | -84.5            |
| <b>After tax impairments</b>                 | <b>140.0</b> | <b>148.0</b> | <b>288.0</b>     |

<sup>5</sup>The Jaguar/Bentley Operation was consolidated from 4 April 2011, following the acquisition of Jabiru Metals Ltd which owns this Operation. The FY2011 comparative production is for a full year.

<sup>6</sup> 28 June 2012 IGO ASX Release.



## CASH FLOW STATEMENT

Net Cash flows from operating activities prior to interest received was \$32.0 million (FY2011: \$52.8 million). Cash payments for investing activities was \$154.3 million (FY2011: \$121.0 million) which includes capitalised development totalling \$89.5 million (FY2011: \$33.8 million). This capitalised development comprises \$9.5 million for Long Nickel Operation development, \$17.8 million for Jaguar/Bentley Operation developments, and \$62.2 million towards the Tropicana Gold Project.

Cash flow generation from financing activities included \$115.5 million in proceeds from a share issue, net of costs (FY2011: \$162.4 million) as a result of IGO's equity raising in December 2011.

## BALANCE SHEET

Cash and cash equivalents totalled \$192.7 million (FY2011: \$228.0 million) at year-end, a net decrease of \$35.3 million for the year.

At balance date, there was \$23.4 million of debt comprising \$18.6 million of lease liabilities and silver loan of \$4.8 million. Net assets decreased by 21% to \$642.1 million at year-end, primarily the result of non-cash impairments and write-offs.

## DIVIDENDS

During the 2012 financial year, IGO paid dividends of \$10.7 million (FY2011: \$9.0 million) to shareholders. These comprised:

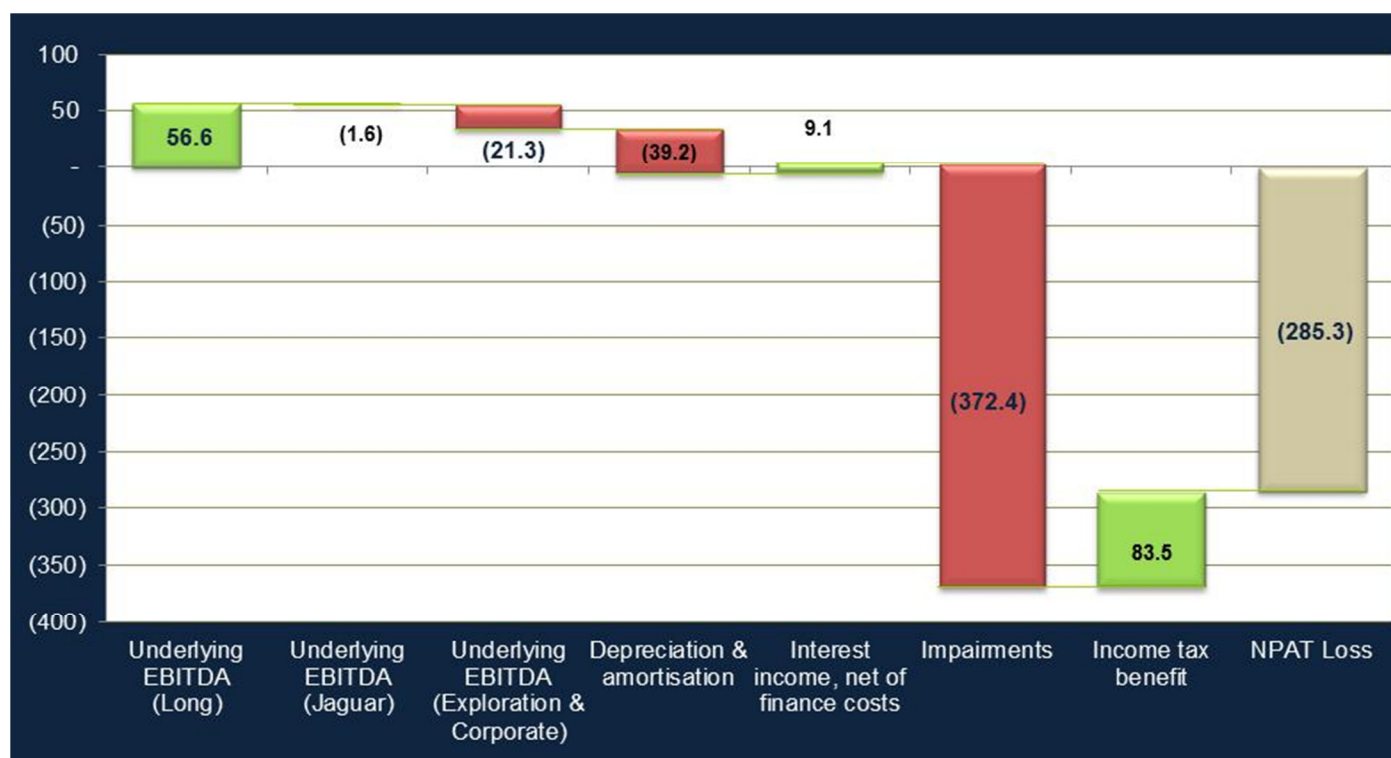
- final FY2011 fully franked dividend of 3 cents per share paid in September 2011, and
- interim fully franked dividend of 2 cents per share paid in March 2012.

In addition, IGO has announced a fully franked Final Dividend for the 2011/12 year of 1 cent per share which will be payable on 28 September 2012, with a record date for determining entitlements of 18 September 2012.

## FINANCIAL SUMMARY

| FULL YEAR ENDED JUNE 30                 | 2012              | 2011             | INC/(DEC) |
|-----------------------------------------|-------------------|------------------|-----------|
| Total Revenue                           | <b>\$216.6M</b>   | <b>\$163.6M</b>  | +32%      |
| Underlying EBITDA <sup>(7)</sup>        | <b>\$33.6M</b>    | <b>\$56.3M</b>   | (40%)     |
| (Loss) Profit Before Tax                | <b>(\$368.8)M</b> | <b>\$14.3M</b>   | (2,679%)  |
| (Loss) Profit After Tax                 | <b>(\$285.3)M</b> | <b>\$5.5M</b>    | (5,287%)  |
| Net Cash Flow From Operating Activities | <b>\$32.0M</b>    | <b>\$52.8M</b>   | (39%)     |
| Total Assets                            | <b>\$940.4M</b>   | <b>\$1040.8M</b> | (10%)     |
| Total Liabilities                       | <b>\$204.7M</b>   | <b>\$227.0M</b>  | (10%)     |
| Shareholder's Equity                    | <b>\$642.1M</b>   | <b>\$813.9M</b>  | (21%)     |
| Net tangible asset per share            | <b>\$2.76</b>     | <b>\$4.68</b>    | (41%)     |

<sup>7</sup> Underlying EBITDA is a non-IFRS measure and comprises \$368.8M loss before tax (FY11:\$14.3M profit), less \$9.2M interest income net of finance costs (FY11:\$13.7M), \$39.2M depreciation & amortisation (FY11: \$27.4M), FY11 \$21.1M takeover related costs (FY12: nil) and \$372.4M impairment expenses (FY11: \$7.2M exploration impairment only).



## OPERATIONS

### LONG NICKEL OPERATION [IGO 100%]:

Production for the year ended June 2012 was 282,177 tonnes (FY2011: 224,842t) at an average head grade of 3.5% nickel (FY2011: 4.3%) for 9,995 tonnes of contained nickel metal (FY2011: 9,753t). This was the highest achieved by the Operation in any year in the last decade. Production exceeded market guidance of 8,800 to 9,200 tonnes of contained nickel metal.

Cash costs for the year were A\$4.74<sup>8</sup> per pound nickel (FY2011 A\$4.48), which was below market guidance of A\$4.80 to A\$5.00.

Ore was sourced from the Moran, McLeay, Victor South and Long ore bodies.

During the year IGO announced the June 2011 Mineral Resource and Ore Reserve estimate as follows:

Resources: 1,566,000t @ 5.3% nickel for 83,000 nickel tonnes.

Reserves: 1,610,000t @ 3.6% nickel for 58,100 nickel tonnes.<sup>9</sup>

IGO has consistently mined and produced nickel from outside its stated reserves and resources base.

<sup>8</sup> See footnote 4.

<sup>9</sup> IGO Annual Report Announcement dated 20 October 2011 for further details.

### **JAGUAR/BENTLEY OPERATION [IGO 100%]:**

Ore milled during the year ended June 2012 was 366,891 tonnes @ 2.3% copper, 6.0% zinc and 86.9g/t silver (FY2011: 355,952t @ 2.8% copper, 5.8% zinc and 80.0g/t silver). Metal production in concentrate was 7,257 tonnes copper, 16,569 tonnes zinc and 577,726 ounces silver (FY2011: 8,468t copper, 14,671t zinc and 466,238oz silver). Production of copper was 3.2% below market guidance of 7,500t to 8,500t, zinc production was in line with guidance of 15,500t to 16,500t and silver production was 15% above guidance of 400,000 ounces to 500,000 ounces.

The payable cash cost and royalty was A\$0.58 per pound zinc (FY2011: negative A\$0.14 per pound)<sup>10</sup>

Ore was sourced from both the Jaguar and Bentley underground mines. Development of the Bentley mine progressed well during the year. The Operation's power station was upgraded during the March quarter 2012 and a power transmission line was built to the Bentley mine. During that quarter a revised operating plan was also developed, increasing Bentley's mining rate. The primary ventilation and high voltage reticulation of the Bentley mine was upgraded during the June quarter 2012.

The performance of the mill improved with the increased availability of ore and the advancement of the development of the Heavy Media Separation plant (HMS). The HMS removes waste rock from diluted ore and stringer sulphides and increases the mill head-grade, reducing processing costs.

In the current economic environment of lower metal prices and a strong Australian dollar, a new selective mining plan has been developed focusing on maximising profits. This decision will result in a lower targeted mining rate of approximately 450,000 tonnes per annum, in lieu of the previous target of 600,000 tonnes per annum. The plan requires a proportion of the lower value in situ mineralisation, particularly Bentley stringer mineralisation, not to be mined at this time. A high proportion of this material is located in the footwall of the main ore body and can be accessed and mined when the economic situation improves.

### **PROJECT UNDER CONSTRUCTION**

#### **TROPICANA GOLD PROJECT JV [IGO 30%]:**

Please see the Operational Summary on page 1 for some progress highlights.

The re-optimisation of the BFS mine schedule incorporating the Boston Shaker open pit commenced in the December quarter 2011. The "*Havana Deeps Pre-Feasibility open pit versus underground trade-off*" study, evaluating deepening the Havana open pit and commencement of underground mining, is expected to be completed in 2013. The Havana Deeps Pre-Feasibility metallurgical test work commenced during the June quarter 2012. The Havana Deeps Pre-Feasibility drill program is scheduled for completion in the September quarter 2012.

### **PROJECT AT FEASIBILITY STUDY STAGE**

#### **STOCKMAN PROJECT [IGO 100%]:**

Preparation of the Definitive Feasibility Study and Environmental Effects Statement for this copper/zinc/silver/gold project in Victoria progressed well during the year. The Approvals process is continuing. The project involves the concurrent development of two underground deposits to feed a central 1.0Mtpa differential flotation processing plant that could produce approximately 150,000 tonnes per annum of copper and zinc concentrates over a project life of 8 years.

<sup>10</sup> The Jaguar/Bentley Operation was consolidated from 4 April 2011, following the acquisition of Jabiru Metals Ltd which owns this Operation. The FY2011 comparative production is for a full year.

## **PROJECT AT SCOPING STUDY STAGE**

### **KARLAWINDA PROJECT [IGO 100%]:**

This gold project in Western Australia moved to Scoping Study stage during the year, evaluating an open pit with carbon-in-leach and/or heap leach processing scenarios. Late in the year the Bibra deposit Inferred Mineral Resource estimate was increased by 207% to 674,300 ounces of contained gold.<sup>11</sup> The Scoping Study is examining the concept of 2.0-3.0Mtpa of ore being supplied from a relatively large, but low grade, low strip ratio, open pit mine based on the Bibra deposit.

## **EXPLORATION**

IGO cash outflow included \$57.2 million on exploration and feasibility expenditure during the financial year ended 30 June 2012 (FY2011: \$32.0 million).

### **TROPICANA GOLD PROJECT JOINT VENTURE (ANGLOGOLD ASHANTI 70%, IGO 30%):**

The 5km long and 0.8km deep Tropicana gold system is open at depth and along strike to the north. In addition to the Havana Deeps, further underground potential exists beneath the Boston Shaker, Tropicana and Havana South open cuts. Drilling is planned to test these targets with the aim to increase resources and reserves.

nickel sulphide deposits were intersected east of Moran (3.4m @ 3.7% Ni) and north of Long (9.7m @ 4.5% Ni).

Over 280,000t of nickel metal have now been mined from the Long tenure from two ultramafic lava channels which hosts the nickel sulphides since mining commenced in 1979. Exploration over the next 12 months will continue to test for extensions to existing mines and for new deposits in this world class nickel camp.

### **JAGUAR/BENTLEY OPERATION:**

The Bentley ore body remains open down plunge and further drilling is planned to convert existing Bentley resources to reserve status and test for further extensions.

To date, three high grade copper-zinc-silver-gold deposits have been discovered and mined in the Teutonic Bore Volcanogenic Massive Sulphide (VMS) camp. Integration of geological, geochemical and spectral data has defined a number of high priority targets. Eight hydrothermal VMS alteration zones have been defined in the Project's 50km strike length, indicating potential for other base metal discoveries. Drilling over the next 12 months will focus on exploring for high grade massive copper-zinc sulphides associated with these anomalies in this highly prospective VMS camp.

### **STOCKMAN PROJECT:**

Additional base metal mineralisation was intersected at the Currawong deposit which is expected to add to current resources. Base metals containing high gold credits were intersected at the Big Foot Prospect 300m north of Currawong (7.45m @ 0.7% Cu, 4.4% Zn, 4.1% Pb, 153g/t Ag, 10.6g/t Au).

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<sup>11</sup> IGO 28 June 2012 ASX Release.



### KARLAWINDA PROJECT:

The Inferred Mineral Resource Estimate at the Bibra deposit increased by 207% over the previous resource estimate to 18.5Mt @ 1.1g/t for 674,300 ounces of contained gold. The Bibra gold deposit, like Tropicana, is a concealed deposit with potential to grow. Unlike Tropicana it is close to road, airport and gas infrastructure, with abundant fresh ground water. The Karlawinda project area contains numerous untested gold targets as well as potential extensions to the Bibra resource, which will be tested in the coming 12 months.

### DUKETON PROJECT JV:

Nickel resource drilling was completed at Rosie and C2. Rosie updated resource and C2 maiden resource estimates are currently underway.

### DE BEERS DATABASE:

Review and analysis of the De Beers database and sample library continues to produce new targets and opportunities for follow-up.

To date, six 100% IGO owned gold/silver/copper/zinc/vanadium and tin projects have been generated from this database. Exploration will continue to evaluate these projects and assess and generate other anomalies from this exclusive data base.

## OUTLOOK

A major focus of IGO in the medium term will be working with its joint venture partner, AngloGold Ashanti Australia Ltd, to ensure that the **Tropicana Gold Project** construction phase continues satisfactorily and achieves the targeted "first gold" in the December quarter 2013. IGO's very substantial attributable gold production from this Project and the relatively low production costs are likely to provide very substantial cash flows and profits to IGO during the FY 13/14 year and onwards.

Pit design optimisations will continue at the Tropicana Gold Project. Work will continue on the "*Havana Deeps Pre-Feasibility open pit versus underground trade-off*" study and is expected to be completed in 2013. Near mine and regional exploration will continue on the Joint Venture's more than 15,000 square kilometre tenement holding.

Guidance production for the **Long Nickel Operation** for the financial year ending June 2013 is 260,000 to 280,000 ore tonnes for production of between 9,200 and 9,600 tonnes of contained nickel. Nickel cash costs and royalties for FY2013 are forecast at A\$4.80 to A\$5.00 payable per pound, net of copper credits. Exploration over the next 12 months will continue to test for extensions to existing mines and for new deposits in the tenement area.

**The Jaguar/Bentley Operation** is forecasting mining of between 430,000 and 450,000 ore tonnes for production of 5,000 to 6,000 tonnes of copper metal, 27,000 to 28,000 tonnes of zinc metal and 700,000 to 800,000 ounces of silver metal in concentrate. Cash costs for FY2013 are forecast at A\$0.40 to A\$0.60 per pound of zinc, including royalty costs and net of copper and silver credits. Drilling over the next 12 months will focus on defining high grade massive copper-zinc sulphides referred to in the Exploration notes on page 6.

At the **Stockman Project** in Victoria work will continue on the Definitive Feasibility Study, along with its associated Approvals process.

At the **Karlawinda Project** in Western Australia it is expected that the Scoping Study will be completed and, depending on the outcome, the Project may advance to the Pre-feasibility Study stage. Potential extensions to the Bibra gold resource and new gold targets are planned to be tested in the next 12 months.

IGO has an extensive exploration program for the year, relating to its existing mining operations, its regional exploration program and its development projects. There will be a reduction in the total cost of that program, compared with the previous year, because of the nature of IGO's priorities during this year and the recent completion of a significant drilling program at the Stockman Project. The 50km along strike from the Jaguar/Bentley Operation will be a particular focal point for IGO's exploration activities because of its perceived prospectivity.

## **COMPETENT PERSONS STATEMENTS**

The information in this Release that relates to Exploration Results is based on information compiled by Mr Christopher M. Bonwick who is a full-time employee of IGO and is a member of the Australasian Institute of Mining and Metallurgy. Mr Bonwick has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bonwick consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

With the exception of the Tropicana Mineral Resources and Ore Reserves, the Karlawinda (Bibra Prospect) Mineral Resources and the Rosie Mineral Resource, the information in this report that relates to Mineral Resources or Ore Reserves is a compilation of previously published data for which Competent Persons consents were obtained. Their consents remain in place for subsequent releases by IGO of the same information in the same context, until the consent is withdrawn or replaced by a subsequent report and accompanying consent. IGO's 2011 Annual Report released to the ASX on 20 October 2011 contains the Competent Persons Consents for these Mineral Resources or Ore Reserves.

**Tropicana JV:** Please refer to the IGO's ASX announcements on 27 July 2011 and 29 November 2011 for Tropicana Mineral Resource and Ore Reserve Competent Persons Statements.

**Duketon JV (Rosie Deposit):** Please refer to the IGO's ASX announcement on 25 January 2012 for the Rosie Mineral Resource Competent Persons Statement.

**Karlawinda (Bibra Prospect):** Please refer to the IGO's ASX announcement on 28 June 2012 for the Karlawinda Mineral Resource Competent Person's Statement.

## **FORWARD-LOOKING STATEMENTS**

This document may include Forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning IGO's planned production and planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are Forward-looking statements. Although IGO believes that its expectations reflected in these Forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these Forward-looking statements.



**Christopher M. Bonwick**  
Managing Director  
**INDEPENDENCE GROUP NL**