ANNUAL
REPORT
2018

# MAKING A DIFFERENCE

# MAKING A DIFFERENCE

**We believe in a world where people power makes amazing things happen.**

# CONTENTS



## WHO WE ARE

Independence Group NL ('IGO' or 'the Company') is a leading ASX-listed mining and exploration company. Our strategic focus is on high quality assets of scale and longevity and an evolving strategy to align the business to the structural shift to energy storage. The Company's focus is on its 100% owned, world class Nova nickel-copper-cobalt operation, its 30% interest in the Tropicana Operation, a Joint Venture with AngloGold Ashanti Australia Ltd, and its portfolio of belt-scale exploration projects in Western Australia and the Northern Territory.

## THE IGO PURPOSE

**Making a difference.**

We believe in a world where people power makes amazing things happen. Where technology opens up new horizons and clean energy makes the planet a better place for every generation to come.

We are bold, passionate, fearless and fun - a smarter, kinder, more innovative company. Our work is making fundamental changes to the way communities all over the world grow, prosper and stay sustainable. Our teams are finding and producing the specialist metals that will make energy storage mobile, efficient and effective enough to make long-term improvements to the lifestyle of hundreds of millions of people across the globe.

How? New battery storage technology is finally unleashing the full potential of renewable energy by allowing power produced from sun, wind and other sources to be stored and used when and where it's needed. This technology will impact future generations in ways we cannot yet imagine, improving people's quality of life and changing the way we live. We believe in a green energy future and by delivering the metals needed for new age batteries, we are making it happen.

**This is the IGO Difference.**

## ABOUT THIS REPORT

This annual report is a summary of IGO and its subsidiary companies' operations, activities and financial position as at 30 June 2018.

All dollar figures are expressed in Australian dollars unless otherwise stated.

# 2018 SNAPSHOT

The 2018 financial year was a successful year for IGO with record revenue and underlying EBITDA as a result of the delivery of the first year of commercial production at Nova, strong operational performance at Tropicana and a rationalisation of our portfolio.

## KEY ACHIEVEMENTS FOR THE YEAR

**Nova's first year of commercial production delivered 22,258t and 9,545t of nickel and copper respectively**

**Tropicana reached two million ounces of production in early January 2018**

**Portfolio rationalisation, with Stockman and Jaguar divestments successfully completed**

**Balance sheet continued to strengthen with net debt reduced from $164M to $4M during FY18**

**Total interim and final fully franked dividends of 3 cents for FY18**

**Nova downstream processing metallurgical testwork demonstrated proof of concept**

**Completed Australia's largest ever hard-rock 3D seismic survey**

Overall contained nickel and copper production for Nova for the 2018 financial year (FY18) was 22,258 tonnes and 9,545 tonnes respectively. This fell slightly short of guidance. Tropicana production for FY18 was slightly better than the mid-point of the guidance range, with improved mill feed grades attributed to the grade-streaming strategy adopted late in FY18. This grade-streaming is expected to continue in FY19.

At year end, our Long Operation had commenced care and maintenance after delivering nickel production better than the mid-point of guidance. During the year, IGO announced the divestment of the Jaguar Operation to CopperChem Pty Limited (CopperChem), a wholly owned subsidiary of Washington H. Soul Pattinson and Company Limited. This transaction was completed on 31 May 2018, for total consideration of $73 million. IGO also completed the divestment of the Stockman Project to CopperChem in December 2017 for proceeds of $32 million and a net smelter return royalty.

FY18 was an exciting year for exploration and growth, with further consolidation of tenure on the Fraser Range. This was coupled with extensive regional exploration activities across the Fraser Range and at Lake Mackay, and entry into two new early stage projects. Total exploration and growth spend, including acquisitions in mineral interests and investments in growth opportunities, was $55 million.

Our balance sheet was further strengthened throughout FY18, finishing the year with a cash balance of $139 million. Net debt at 30 June 2018 was $4 million. In addition, IGO renegotiated its debt facilities, resulting in improved terms and the cancellation of the Company's $200 million revolving credit facility.

IGO is well placed for a strong FY19, with both Nova and Tropicana poised to deliver improved productivity and value. In addition, IGO continues to make good progress with the major value enhancement projects including downstream processing of Nova nickel concentrate to produce nickel and cobalt sulphates, and the Boston Shaker underground study at Tropicana.

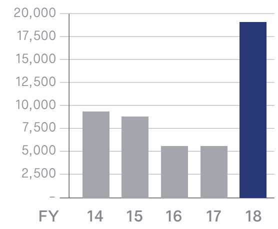
## FY18 FINANCIAL SUMMARY

| HIGHLIGHTS | FY18 $M | FY17 $M | FY16 $M |
|---|---|---|---|
| Total revenue and other income | 781 | 422 | 417 |
| Underlying EBITDA[1] | 339 | 151 | 138 |
| Profit (Loss) after tax | 53 | 17 | (59) |
| Net cash flow from operating activities | 278 | 78 | 102 |
| Underlying Free cash flow[1] | 138 | (113) | (328) |
| Total assets | 2,175 | 2,208 | 2,007 |
| Cash | 139 | 36 | 46 |
| Marketable securities | 24 | 15 | 5 |
| Total liabilities | 396 | 476 | 552 |
| Shareholders' equity | 1,779 | 1,733 | 1,456 |
| Net tangible assets per share ($ per share) | $3.03 | $2.95 | $2.85 |
| Dividends per share paid – fully franked (cents) | 2.0 | 3.0 | 2.5 |

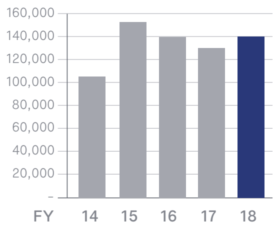
[1] See Notes to Glossary of Terms for definitions

## IGO HISTORICAL PAYABLE METAL

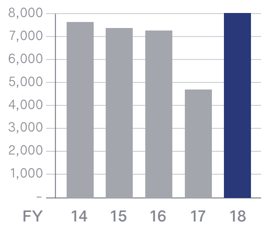
### NICKEL (t)



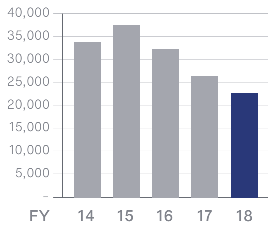

### GOLD (oz)



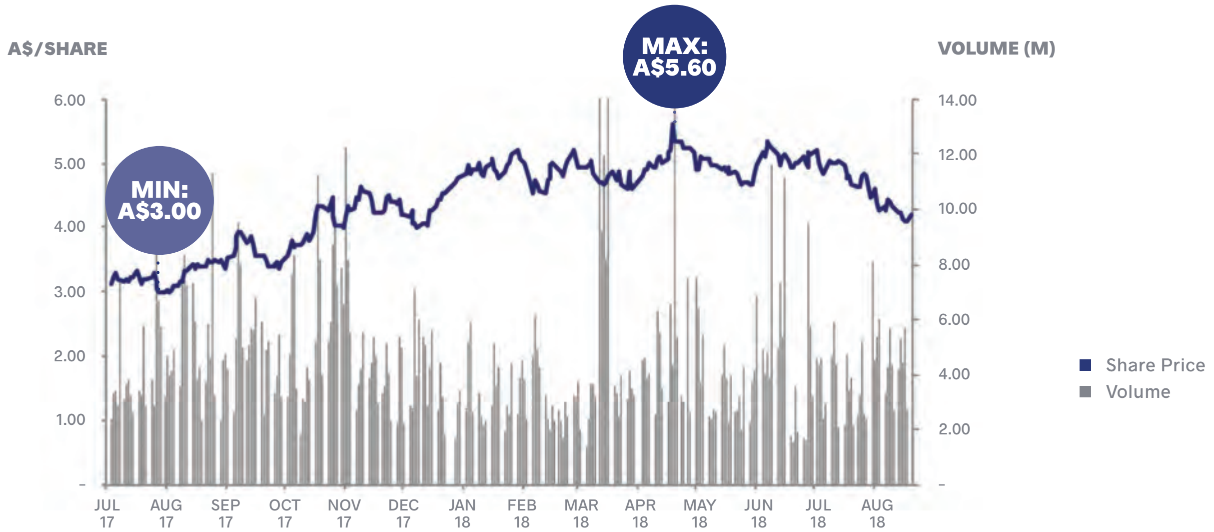

### COPPER (t)




### ZINC (t)




## SHARE PRICE PERFORMANCE[1]




## SHARE OWNERSHIP[1]

### SUBSTANTIAL HOLDERS[1]

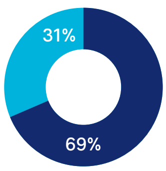
| | |
|---|---|
| Australia | 69% |
| USA | 23% |
| UK & Europe | 5% |
| ROW | 3% |

### INSTITUTIONAL OWNERSHIP[1]

| | |
|---|---|
| Mark Creasy | 16% |
| FIL | 9% |
| T Rowe Price | 8% |
| CBA | 6% |
| Ausbil | 5% |

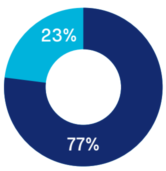
### INSTITUTIONAL SHAREHOLDING[2]

- Australian Insto's
- Row Insto's




### INSTITUTIONAL VS. RETAIL (AND OTHER)[2]

- Institutional
- Retail & Other




[1] As at market close 20 Aug 2018

[2] As at 30 Jul 2018

# CHAIRMAN & CEO MESSAGE

**PETER BRADFORD**
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

**PETER BILBE**
CHAIRMAN

Ladies and gentlemen, it is our joint pleasure to summarise the progress of our Company during the 2018 financial year.

### A continuous and evolving strategy to reshape IGO

Over the past few years we have pursued a strategy to reshape Independence Group, or IGO as we like to call ourselves, to focus on high quality projects of longer life and larger scale.

This journey began with the commencement of gold production at Tropicana Operation in late 2013 and was followed in 2015 by the acquisition of Nova and its construction and development through to commercial production on 1 July 2017. In parallel, we have reshaped our exploration team and strategy to focus on belt-scale exploration opportunities that have the potential to deliver multiple tier one discoveries.

These collective changes have culminated in a record year across multiple production and financial metrics as set out in the body of this annual report.

IGO's transformation is a tribute to our people who come to work every day to make a difference. They are bold, passionate, fearless and fun. They make IGO a smarter, kinder, more innovative company.

### Doing what is right – because we care

Our strategy has also focused on the environmental, social and governance (ESG) aspects of the business. This focus has resulted in stronger systems and processes to support the business as well as a structured approach to our interactions with all stakeholders to better demonstrate how we care.

This approach has included consistent interactions with community stakeholders to keep them informed about the business. We also have a structured corporate giving program to support initiatives that strengthen the communities within which we operate.

Diversity and inclusion are important to us and we are proud of our progress during the past year to improve both gender and indigenous diversity. At 30 June 2018, 31% of IGO's employees were female and 3.27% of direct employees were Indigenous.

To improve our safety metrics and to ensure that our people are not hurt while at work, we have focused on changing the way our leaders within the business interact with people about safety – what we call 'visual safety leadership'. We have also introduced health and wellbeing programs, which include stretch exercises at the start of each working shift to minimise the strains and sprains that are historically our single biggest cause of injury.

Our ESG progress is covered in more detail in our fourth annual sustainability report which will be released in October 2018.

### Creating a strong culture, the IGO Way

At IGO we recognise that a strong culture underpins successful strategies and companies. We therefore work with our employees to create both a positive culture and the programs we need to actively shape our culture. In 2018, 97% of IGO employees participated in our engagement survey and we had an engagement score of 55%, which is the upper end of the benchmark for metals and mining companies.

# We are finding and producing the specialist metals that will make energy storage mobile, efficient and effective.

### Aligning IGO's purpose with employee expectations

New battery storage technology unleashes the full potential of renewable energy by allowing power produced from sun, wind and other sources to be stored and used when and where it is needed. This includes the use of energy storage in electric vehicles. Clean renewable energy combined with electric vehicles can reduce fossil fuel usage and emissions, resulting in better air quality and improved quality of life – not just for today, but for future generations.

At IGO, our people are finding and producing the specialist metals that make energy storage mobile, efficient and effective enough to make long-term improvements to the lifestyle of hundreds of millions of people across the globe.

### Our strategy for the future

Our strategy is to become a globally relevant, premium producer of energy storage and distribution minerals. We will achieve this by continuing to focus on high quality assets of increasing scale and mine life, assets like our Nova nickel-copper-cobalt operation.

In addition, we will look for opportunities to add greater value to the commodities that we produce, including the opportunity for downstream processing of our nickel concentrate to produce nickel and cobalt sulphates for delivery to electric vehicle battery manufacturers.

In parallel, our exploration team will investigate new exploration opportunities for nickel, copper and cobalt as well as for other metals and minerals important to the energy storage and electric vehicle industry.

We believe in a green energy future and by delivering the metals needed for new age batteries we are making it happen. **This is the IGO Difference.**

### Thank you

The continued strengthening and evolution of IGO is made possible by the many skilled, experienced and dedicated people in the business. We therefore take this opportunity to thank each and every one of these people for the contributions that they make every day to IGO.

We divested our Jaguar and Stockman assets during the year and transitioned Long into care and maintenance. Whilst these portfolio changes were necessary, we acknowledge that they do have an impact on our people. We therefore take this opportunity to thank the many women and men at Jaguar, Long and Stockman who made outstanding achievements to those projects and to IGO over many years. We wish you well in your future careers.

We also thank our stakeholders, our host communities, our suppliers and contractors, our industry associates and our regulators.

Lastly, we thank our shareholders, which includes our employees who are all owners of the business, for your continuing support and trust in the Board and management team.

# OUR PEOPLE

IGO remains a proud Western Australian employer with a total direct workforce of approximately 244 employees across our business. We strive to be a partner and employer of choice to all our stakeholders, including current and potential employees, shareholders, Traditional Owners, government and the local communities.

The great team of people at IGO is made up of a diverse range of technical professionals and operations and support roles including geologists, geophysicists, business analysts, mining engineers, metallurgists, miners, process operators, field teams, machine operators, administration, IT, health, safety and environment, human resources, finance, legal and corporate affairs.

Our purpose is to make a difference, and we do this every day by maximising and optimising the value generated by the business over both the short-term and the long-term.

## EMPLOYEE ENGAGEMENT

Our second annual company-wide employee engagement survey was conducted in FY18 generating positive results.

The Company recorded an employee response rate of 97% for this year's survey, an outstanding result and one that demonstrates we have established a culture where the workforce wants to be actively involved in shaping the business as we continue to evolve.

This year IGO's overall engagement score was 55%, which was a significant improvement from 2016 and one that puts IGO at the upper end of scores achieved by other metals and mining companies surveyed by Aon Hewitt.

These results, along with the specific feedback received from employees, demonstrate a significant improvement across our business, reflecting the concerted effort of many over the past year, culminating in the following improvements:

- future vision up 18%
- people focus up 16%
- learning and development up 15%
- business excellence up 12%
- career opportunities up 12%
- communication up 12%

**We believe that supporting our people to be the best that they can be is key to our success.**

However, we aspire to really make a difference to the engagement and connection that our people have with each other so there is always room for improvement and still much to be done. In FY19, we will complete additional programs of work on employee reward and recognition; talent and staffing, performance management processes and the continued promotion of internal career opportunities.

### A shared purpose

In FY18 we began a program of work, through consultative focus groups from a cross section of roles and levels in the business, to collectively discover and create our shared purpose. We want to make a difference to the satisfaction and connection that our employees derive from their work and what we collectively achieve as a team in the communities in which we work.

While strategy directs our path, our shared purpose explains our fundamental reason for being and doing the work we do. It is what links all of us to each other, to our customers and to the communities where we work and live.

In FY19, our purpose will be reflected in our internal communications and programs as well as in our external marketing because we know that connected, purpose-driven people build value through engagement in a common reason for being.

### Employees as owners

We believe all employees should have the opportunity to be owners of the IGO business and share in the collective wealth that we create for our shareholders.

Further to our other programs that build employee share ownership reported in previous years, in FY18 IGO rolled out a program to provide IGO employees with the opportunity to salary sacrifice up to $5,000 of their pre-tax income for the purchase of IGO shares along with a 1 for 2 matching contribution up to an additional $2,500 worth of IGO shares by the Company.

We believe that this program will fundamentally make a difference to the connection that our employees have to the business and the achievement of our strategic objectives.

### Fitness for life

At IGO we believe that wellness is more than just being 'fit for work'. In FY18 we expanded our wellness program across the business to include; proactive health monitoring to identify early indicators and intervention for chronic illness, skin cancer prevention, sleep awareness, ergonomic reviews of work stations, fitness challenges, flu vaccinations, anti-smoking campaigns and injury prevention through pre-work warmups.

Employee feedback has been extremely positive and our preventative focus has become a valued component of our extended employee value proposition.

## DIVERSITY

IGO is committed to equality across our business and promoting an inclusive and diverse workforce. We strive to apply fair and equitable employment practices and provide a working environment that encourages all employees to reach their full potential. We recognise the value of diversity and the impact it has on our business culture and performance, ensuring we have the capabilities to grow and continue to deliver sustainable shareholder value. Diversity is no longer seen as a gender issue or a 'nice to have', but rather a 'must have' to maximise competitiveness, productivity, organisational culture and job satisfaction.

IGO actively supports improvements to the industry's gender ratio by finding innovative ways to attract and retain increased female representation into mining and within our business. In FY18, IGO achieved improved diversity metrics, including a year-end gender ratio improvement with 31% of our total workforce now female, which is above the industry average. Our leadership teams have also been strengthened with 28% of senior managerial positions held by females.

To continue to build our pipeline of diverse and talented people, during FY18, IGO has continued with and added new programs specifically designed to further the evolution of a truly diverse workforce. These programs include:

### Paid parental leave

IGO is committed to supporting both parents when they give birth to, or adopt, a child. We believe that parents should not have to choose between career and family. Our Paid Parental Leave plan is an important initiative to encourage parents to balance their work and family life at a very important time.

Key features of IGO's Paid Parental Leave program include:

- 16 weeks of paid parental leave (or 32 weeks at half pay) for primary carers and two weeks paid leave (or four weeks at half pay) for the secondary carer;
- return to work assistance payment – four additional weeks of salary paid six months after the employee returns to work to provide additional support; and
- superannuation on paid and unpaid periods of parental leave – to ensure that no parent is disadvantaged at retirement due to their decision to have a family.

### Working flexibly

IGO employees can request flexible working arrangements such as part-time, working remotely and job sharing – an important initiative to enable our people to blend their work, family and lifestyle preferences to suit their own individual circumstances.

Whilst the effort is not without its challenges for those on FIFO rosters, we believe that with energy and imagination, all roles can be flexible. We want more people to understand that the mining sector values their contribution and that they do not have to choose between a career and family to participate in site and head office roles.

### Graduate and vacation programs

IGO's Graduate Program offers university graduates a 2–3 year program commencing in January each year with the aim of supporting them in their transition from study to career. Our program is designed to support, challenge and reward graduates in a work environment that will foster and develop them into future leaders and technical experts.

The IGO Vacation Program offers both undergraduate and post graduate students the opportunity to participate in a 12-week paid program held over the Australian summer break. Our program is specifically designed to provide students with exposure to, and practical experience in their chosen discipline.

In FY18, we employed people who are studying Geology, Mining Engineering and Metallurgy. Of that group, 62% of our graduates and 83% of our vacation students were female.

Our Graduate and Vacation Programs are also aimed at supporting and building the future of the industry in which we work. We are concerned with the low number of students graduating in mining related disciplines and, more broadly, with the community's misconceptions about the employment opportunities and other benefits provided by the industry. We have and will always need passionate people who want to make a difference, and mining in one form or another will always be central to a prosperous society. To this end our support for a number of industry programs to promote career opportunities in the industry strengthened in FY18 and we continue to support a collective approach.

### WA Mining Club scholarships

IGO is very proud to support a number of initiatives to encourage and foster the development of the next generation of leaders within our mining sector. In FY18, IGO once again co-sponsored two WA Mining Club scholarships for Geology and Indigenous students. Our 2018 recipients were both female and we are proud of the fact that several of the past recipients and finalists are now working within our business, including our first Aboriginal apprentice at our Nova Operation.

### Aboriginal employment

In FY18, we continued to actively support the employment of both Aboriginal people and others from culturally and linguistically diverse backgrounds. We are proud to note that, during FY18, IGO has:

- sponsored the first Ngadju student in preparation to commence university study in Geology;
- supported a number of Ngadju apprenticeships;
- employed our first female, Aboriginal apprentice at Nova; and
- introduced Ngadju cultural competency workshops at Nova.

We know, from the results that we have achieved in the last year, that continued improvement is possible through deliberate efforts to proactively include all employees in robust, transparent communications; leadership development and modelling; participatory work processes; cross-functional work experiences; and a focus on employee engagement on matters of diversity.

In FY19, the Company will place additional emphasis on increasing the participation of the groups that continue to be under represented within the mining industry to create a fairer, more inclusive and more successful IGO.

Further information on Diversity at IGO can be found in our Corporate Governance Statement on our website at **www.igo.com.au**.

## DEVELOPING OUR PEOPLE

We believe that supporting our people to be the best that they can be is key to our success. Beyond just compliance training during the year, we pursued two key programs to strengthen our team:

### Learning for leaders

In FY18, we continued our Leadership Development Program with the Certificate IV in Leadership & Management courses and also introduced a mini-MBA course for mid-level managers run by the Australian Institute of Management in Perth. Further, many of our leaders participated in an Unconscious Bias course to raise awareness of both conscious and unconscious bias in both the recruitment process and our daily interactions.

Feedback from the courses has been very positive with robust and open conversation on this topic and its impact in the workplace. This structured learning has helped our people to understand how they can make a difference to their own and others work environments.

### Celebrating success

In FY18, greater focus was given to celebrating individual and team success across the business. All business units made recognition and celebration of the behaviours and achievements that drive the success of our business a priority.

Each year the annual IGO Awards are a culmination of this recognition, designed to celebrate outstanding contributions by our people across the business. Awards include Excellence in Geoscience, Metallurgy, Technical Services, and Business Support along with awards for Safety and Diversity Champions, Business Innovation and the CEO's Emerging Leader.

# SAFETY

## Results

IGO had no fatalities or serious disabling injuries during FY18. However, there were 35 injuries requiring medical treatment or resulting in people being assigned to alternate duties (FY17: 32). The Lost Time Injury Frequency Rate (LTIFR) for FY18 was 2.39 injuries per million hours and Total Recordable Injury Frequency Rate (TRIFR) of 19.14. Tropicana Operation's LTIFR, which is not included in IGO's statistics, for FY18 was 0.47.

IGO's LTI results for FY18 compare favorably to the most recently published averages for the Western Australian nickel mining sector and metalliferous underground mining sector of 3.9 and 2.9 respectively.

In addition to actual safety outcomes, IGO is focused on the potential outcomes; the 'near-misses'. In FY18, there were 13 incidents where there was the credible potential for a fatality. Whilst each of these events resulted in either no injury or a minor injury, the potential outcomes were acknowledged, and adjustments made to our business practices to mitigate risks and minimise exposure to the hazards involved in the future. Reducing these potential incidents will continue to be a key focus in FY19.

Often injuries and 'near-miss' incidents can have a wider impact causing distress not only to the affected individual, but also to their families and workmates. In response to this, IGO will continue its ongoing program to improve safety behaviours, our systems of work and our workplaces with the goal of minimising the risk of harm to our employees in FY19.

## IGO's Philosophy: The need for intellectual honesty when it comes to safety

We all take risks. Business is based on taking considered risk. At IGO, it is our intention that we, as a business, and as individuals, only take risks in a considered way. At IGO we will not accept any risk where there is an elevated potential for serious harm or fatality. However, we cannot offer a completely hazard free work environment; no organisation can. We maintain an expectation of continuous improvement and expect to be held accountable for our performance. Consequently, we can and will always pursue efforts to make our work places safer and promote a culture in which the welfare of our people is a central value.

IGO accepts our moral responsibility to provide a safe place of work, a safe system of work and a positive safety culture. A safe place of work is a place where the hazards are recognised and the risks posed by these hazards are managed. A safe system of work encompasses the policies, standards, processes and procedures that provide direction and guidance on how the work is to be done. A positive safety culture is, put simply, the way employees respond to hazards and associated risks when the 'boss is not watching'.

A positive safety culture is achieved when our people:

- believe their manager or supervisor is concerned about their safety and wellbeing;
- proactively look out for others and feel concern for their safety and wellbeing;
- participate in the development of our safety standards, processes and procedures;
- adhere to IGO's safety principles on the understanding that they will assist in keeping them and their workmates safe but are not a substitute for thinking for one's self; and
- have the courage to speak up or intervene in unsafe situations or if someone is at risk.

At IGO, we are actively creating a positive safety culture. This effort is informed by the belief that culture is the product of the attitudes and behaviours demonstrated by IGO leaders; from the front-line supervisor to the CEO. IGO's safety program is known as Visual Safety Leadership.

The purpose of the program is to educate and guide our leaders, at all levels, so they:

- understand both IGO's safety philosophy and their statutory safety obligations;
- allocate time for the sole purpose of checking on or promoting workplace safety and employee welfare; and
- follow up on concerns raised by employees or identified hazards and provide feedback to their people on how they've responded.

Safety leadership must be visual. It must be seen. It must be felt. If we do this well, it is our firm conviction that we will create a better workplace.

Over the past 12 months, we have begun tracking the number of visual safety leadership interactions completed by all of our leaders. More than a simple count, we are also completing work to monitor the quality of these interactions.

IGO will continue to pursue improvements in this area during FY19, including increased internal communications among our employees, suppliers and contractors to continue to build awareness and influence behaviours.

For further information on IGO's safety performance and visual safety leadership improvement programs, please refer to the 2018 Sustainability Report, which will be released in October 2018.


# SUSTAINABILITY & COMMUNITY


At IGO we value our social license to operate and in FY18, we have worked hard to understand the matters that are material to our community stakeholders. When it comes to community engagement, we pride ourselves on being both proactive in anticipating the information that our stakeholders need and working collaboratively in exploring how we might add value within our host communities. IGO is proud of its Corporate Giving program and the contributions of our people.

In FY18, our community consultation and engagement efforts focused on public meetings, a survey of key stakeholders and numerous one-on-one meetings between IGO representatives and members of the community. Public meetings or engagement activities were completed in Esperance, Norseman, Kambalda and Leonora in Western Australia and Omeo in Victoria.

As in previous years, IGO has participated in ongoing programs to engage the Ngadju people, the native title holders of the land on which our Nova Operation sits and a key area of focus for our exploration activities. The establishment of the Nova Operation was, and remains, dependent on the effective operation of a land access agreement between IGO and the Ngadju's representative entity, the Ngadju Native Title Aboriginal Corporation (NNTAC). IGO is pleased to note that in FY18, we commenced production royalty payments to the NNTAC.

In FY18, IGO also concluded Exploration Deeds with the Central Land Council, the representative body for the Traditional Owners of the land in the southern part of the Northern Territory.

Consequently, access to that tenure has now been granted enabling the commencement of exploration activities.

We are committed to doing better. In FY19, IGO will complete various works in accordance with our Community Engagement Plan. One element of this plan is building community engagement capacity in our people on the frontline. As is true of any company completing exploration work in 'greenfield' areas, our front-line exploration staff are often the primary source of contact with individual members of our host communities and hence their skill and approach can set the tone for the ongoing relationship. Mindful of this, in FY19, all IGO's exploration staff will receive training in cultural awareness and general community engagement.

## CORPORATE GIVING

In FY18, over 48 organisations or projects benefited from IGO's Corporate Giving program. IGO's total corporate giving spend for FY18 was $252,385.

In FY18, IGO supported a diverse range of organisations and programs including:

- Teach Learn Grow
- Norseman District High School
- Esperance District High School
- Goldfields Girls
- Girls Academy
- Ronald McDonald House, Perth

In addition, many IGO employees volunteered their own time to support various organisations and causes.

Under IGO's Corporate Giving Standard, IGO will provide up to two day's paid leave per annum to any employee wishing to donate their time to a Targeted Beneficiary as approved by the IGO Corporate Giving Committee. Within the constraints of the approved IGO Corporate Giving budget, IGO will also match, dollar-for-dollar, all funds raised by IGO employees for the benefit of beneficiaries approved by the IGO Corporate Giving Committee.

In June 2018, IGO launched its workplace giving program through an online platform managed by Good2Give, that enables employees to make pre-tax donations from their pay direct to a charity. IGO will match employee donations up to a group wide $10,000 cap per annum and pay all the administrative costs so that 100% of employee donations go directly to the charity.

IGO is proud of its Corporate Giving program and, as the budget for the program is based on 0.06% of the previous year's total revenue, we look forward to increasing the program and the support it gives as the Company grows.


# ENVIRONMENTAL MANAGEMENT

In FY18, IGO had no material environmental incidents.

As foreshadowed in last year's annual report, in FY18, IGO introduced a set of Environmental Standards. These standards define a performance expectation that is more than simple compliance with the law. Over time, and with ongoing effort, these standards will provide a framework for cultural change within our business. The standards address:

- Rehabilitation and mine closure
- Social and environmental impact assessment
- Mineral waste management
- Water management
- Land use and biodiversity management

IGO's Environmental Standards have been developed based on feedback from both our workforce and our host communities and in accordance with accepted best practice as documented in the Leading Practice Sustainable Development Program (LPSDP) for the Mining Industry (Department of Industry, Innovation & Resources), and various publications produced by the Minerals Council of Australia, and the International Council on Mining & Metals. In FY19, IGO will complete a range of activities arising from the application of these standards including a communications program. This program will be targeted to both our workforce and host communities to provide insight into the standards to which we will hold ourselves accountable.

At IGO, we endeavor to plan for the full life cycle of our mines. In FY18, work continued on the clean-up of historic mining areas at our Jaguar Operation. Several hundred tonnes of scrap steel and general waste was removed, with the steel being sent for recycling. The single largest ongoing challenge faced by the Jaguar Operation is the clean-up and rehabilitation of the historic Teutonic Bore mine site.

As Jaguar is a legacy mine, responsibility for clean-up and rehabilitation is split between the owner and the Western Australian Government. In FY18, IGO worked collaboratively with the state to advance planning for these works. In effecting the sale of the Jaguar Operation to CopperChem Ltd, IGO completed a comprehensive disclosure of all known environmental liabilities, closure planning commitments and IGO's estimate of mine closure costs.

Our Long Operation ceased mining and was placed in care and maintenance in June 2018. In anticipation of this event, IGO completed a year-long consultation process with our workforce, our host community in Kambalda and the State Government. The key goal of our care and maintenance program is to preserve the inherent value associated with the mine by preventing flooding and maintaining safe access. Additionally, IGO continues a program of progressive mine site rehabilitation works which include the reshaping of two small historic tailings storage facilities, remedial works on the waste rock dump, general removal of waste and the recycling of scrap steel. IGO continues to evaluate options for Long's future.

In FY18, we continued refinement of the mine closure plan for the Nova Operation and completed a comprehensive triennial review of the estimated mine closure cost.

IGO's largest ongoing environmental impact is the land clearing associated with our exploration activity in the Fraser Range. IGO has planned and funded the necessary rehabilitation works which will be completed progressively as exploration works are completed.

Further information on these matters will be provided in IGO's 2018 Sustainability Report to be released in October 2018. This report will be available on our website at **www.igo.com.au**

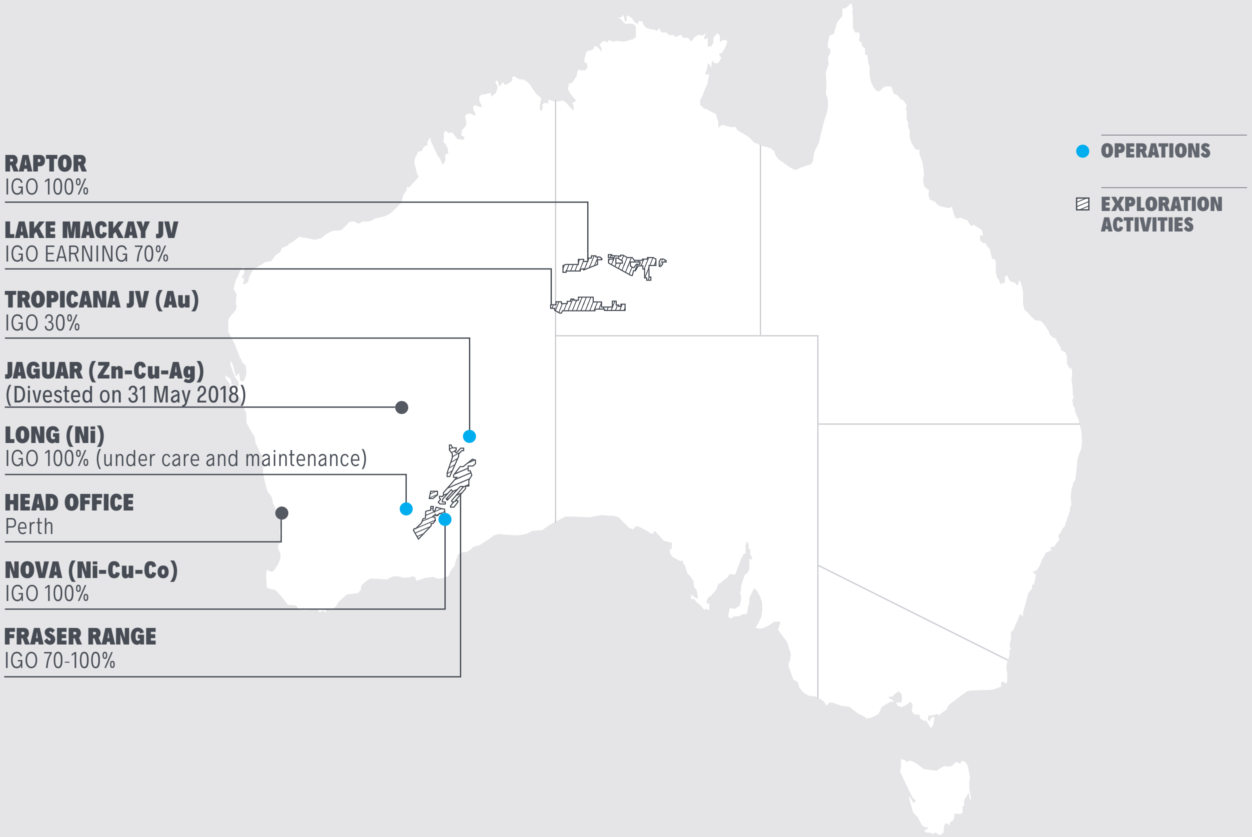
# OPERATIONAL SCORECARD AND OUTLOOK

| Mining Operation | Units | FY18 Guidance Range | FY18 Actual | FY19 Guidance Range |
|---|---|---|---|---|
| **NOVA** | | | | |
| Nickel in concentrate | t | 23,000 to 27,000 | 22,258 | 27,000 to 30,000 |
| Copper in concentrate | t | 10,000 to 12,000 | 9,545 | 11,000 to 12,500 |
| Cobalt in concentrate | t | 800 to 1,050 | 740 | 850 to 950 |
| Cash cost (payable) | A$/lb Ni | 1.90 to 2.50 | 2.78 | 1.65 to 2.00 |
| Sustaining & improvement capex | A$M | 9 to 13 | 5.7 | 21 to 24 |
| Development capex | A$M | 40 to 44 | 53.9 | 25 to 28 |
| **TROPICANA OPERATION (IGO 30%)** | | | | |
| Gold produced (100% basis) | oz | 440,000 to 490,000 | 467,139 | 500,000 to 550,000 |
| Gold sold (IGO's 30% share) | oz | 132,000 to 147,000 | 138,748 | 150,000 to 165,000 |
| Cash cost | A$/oz Au | 680 to 750 | 713 | 635 to 705 |
| All-in Sustaining Costs | A$/oz Au | 1,060 to 1,170 | 1,061 | 890 to 980 |
| Sustaining & improvement capex (30%) | A$M | 20 to 24 | 14.3 | 21 to 24 |
| Capitalised waste stripping (30%) | A$M | 44 to 55 | 43.4 | 32 to 36 |
| **EXPLORATION EXPENDITURE** | | | | |
| Total Exploration Expenditure | A$M | 45 to 55 | 45.4 | 47 to 54 |

| Metric | Units | FY18 Guidance[1] | FY18[1] |
|---|---|---|---|
| **JAGUAR** | | | |
| Zinc in concentrate | t | 26,583 to 30,250 | 26,159 |
| Copper in concentrate | t | 2,383 to 2,750 | 1,695 |
| Cash cost (payable) | A$/lb Zn | 0.85 to 1.05 | 1.25 |
| Sustaining capex | A$M | 7 to 8 | 8.4 |
| Development capex | A$M | 9 to 10 | 11.6 |
| Exploration expenditure | A$M | 3 to 5 | 4.6 |
| **LONG** | | | |
| Contained nickel produced | t | 5,400 to 6,000 | 5,855 |
| Cash cost (payable) | A$/lb Ni | 4.40 to 4.90 | 4.87 |
| Sustaining capex | A$M | 0.5 to 1.0 | 0.6 |
| Development capex | A$M | 0.5 to 1.0 | 0.0 |
| Exploration expenditure | A$M | 1 to 2 | 0.3 |

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

# KEY OPERATIONS AND PROJECTS




## LONG OPERATION – NICKEL – 100% IGO

In June 2018, mining at Long ceased and the operation transitioned into care and maintenance.

### Production

In FY18, production came from the Moran, Long and McLeay deposits. Total ore mined was 181,822 tonnes (FY17: 205,372 tonnes) at an average grade of 3.22% Ni for 5,855 tonnes of contained nickel.

Long successfully achieved better than the mid-point of guidance and this is testament to the hard work and dedication of all those who worked at Long.

### Care and Maintenance

The Long Operation transitioned into care and maintenance in June 2018. A comprehensive plan to prepare the site was implemented in advance of that date with many of the key activities successfully executed. These included the successful exploitation of nearly all remaining Ore Reserves, retention and redundancy of Long personnel and safeguarding activities to protect the asset and ensure public safety is maintained. IGO also initiated a site wide clean-up program and is currently executing progressive rehabilitation of historic mining landforms and infrastructure to mitigate environmental impacts during care and maintenance.

IGO is committed to continuing to dewater and ventilate the underground mine as part of the care and maintenance plan to preserve the integrity of the asset and keep key infrastructure in operating condition. To execute this work program, IGO has appointed a local contractor to manage the site during care and maintenance.

## JAGUAR OPERATION – ZINC – COPPER – SILVER

On 31 May 2018, IGO completed the divestment of the Jaguar Operation to CopperChem Pty Limited (CopperChem), a wholly owned subsidiary of Washington H. Soul Pattinson and Company Limited for a total consideration of $73 million cash. This comprised of $25 million at completion and an additional $48 million in deferred cash payments.

The decision to divest Jaguar reflects IGO's strategic focus on high-quality assets of scale and longevity aligned to energy storage. This decision was made at the completion of a review of the value enhancement opportunities at Jaguar which did not meet IGO's strategic metrics.

### Production

A total of 414,582 tonnes (FY17: 444,700 tonnes) ore at 7.1% Zn, 0.6% Cu, 125 grams per tonne Ag and 0.47 grams per tonne Au was mined from the Bentley underground mine during the eleven months ending 31 May 2018.

# NOVA OPERATION

## NICKEL-COPPER-COBALT
## IGO 100%

**LOCATION**
140 road-km east of Norseman, Western Australia (Fraser Range)

**PRODUCT**
Nickel (Ni), copper (Cu), cobalt (Co)

**MINING**
Underground contract mining and owner operated processing plant

**PROCESSING METHOD**
Conventional crushing, grinding, flotation and filtration

**SALES**
100% nickel sulphide concentrate to BHP Billiton Nickel West Pty Ltd and Glencore International AG. Current offtake agreements expire in FY20.
100% copper sulphide concentrate to Trafigura Pte Ltd. Contract expires in FY20

**FY18 PRODUCTION**
22,258t Ni
9,545t Cu
740t Co

**FY18 PAYABLE CASH COSTS**
A$2.78/lb Ni

**RESOURCES**[1]
268,000t Ni
109,000t Cu
9,000t Co

**RESERVES**[1]
216,000t Ni
89,000t Cu
7,000t Co

**ESTIMATED REMAINING MINE LIFE**
8+ years

**GROWTH POTENTIAL**
Discovery of new magmatic nickel deposits on the Nova mining lease and within IGO's extensive tenements position in the Fraser Range. Processing of Nova's nickel concentrate into nickel and cobalt sulphates for the energy storage market

[1] See Resources and Reserves section on pages 23 to 28 of this report.

# NOVA OPERATION

## OVERVIEW

Nova is located in the Great Western Woodland, approximately 140km east north east of Norseman. The Ngadju are the Traditional Owners and custodians of this area and their native title was recognised by the Federal Court on 21 November 2014.

The Nova deposit was discovered in July 2012 and development of the site commenced in January 2015. Commercial production commenced in July 2017 and the operation reached nameplate production in the September 2017 quarter.

## PROJECT DEVELOPMENT

Since the commencement of the Nova decline, our contractor, Barminco, has completed 26.4 kilometres of underground development. The mine has been in commercial production since 1 July 2017 with the mine and processing plant achieving production rates at or above nameplate capacity in the second half of FY18. All construction activities have now been completed.

## FY18 PRODUCTION

Nova production for FY18 fell just short of full year guidance.

By the end of FY18 the mine had demonstrated steady state production above nameplate and the ability to outpace the processing plant.

Capital development is now largely complete with some sustaining capital development remaining over the life of the mine.

We continue to progress options to increase throughput beyond the nameplate capacity of 1.5 million tonnes per annum.

## MINING

Grade control drilling at Nova and Bollinger was completed in July 2018 which has enabled the upgrade of the Mineral Resource and Ore Reserve JORC classifications to the highest level of confidence and derisking the Life of Mine plan.

## PROCESSING

The processing plant has performed well in FY18 and during the June 2018 quarter extended trials at an above nameplate processing rate were carried out to identify bottlenecks to achieve higher production rates on an ongoing basis. As a result of the trials a capital works program to address these bottlenecks is planned for FY19.

The tailings storage facility continues to be used as a water storage dam, and both bore field expansions and water use efficiency projects have been completed to reach a buffer of 100% more raw water availability than required for current operations.

Electric power continues to be provided by Zenith Pacific's 20 mega watt power station. Plans to construct a 6.7 mega watt solar power station are well advanced and a decision to proceed is expected in FY19.

## NEAR-MINE EXPLORATION

The majority of the focus during FY18 has been on the completion of underground grade control drilling with limited near-mine exploratory drilling.

In FY19, further exploration drilling from underground will target resource extensions and new areas of mineralisation outside the existing resource envelope.

A 3D seismic survey of 58 square kilometres was completed by HiSeis Pty Ltd with the interpreted models due in early FY19. A budgeted 20,000 metres of diamond drilling is planned for FY19 to test targets identified by the seismic survey.

## DOWNSTREAM PROCESSING

During FY18, IGO commenced a project to understand the downstream processing potential to directly produce nickel and cobalt sulphate using a hydrometallurgical process rather than producing nickel metal via conventional smelting and refining.

A scoping study demonstrated that, subject to metallurgical testwork, the process would be financially feasible. This was then followed by metallurgical testwork using Wood Mining and Minerals Australia (Wood) and SGS Australia, this testwork successfully produced nickel sulphate hexahydrate crystals and demonstrated that the process was technically feasible. A pre-feasibility study has been commenced.

# TROPICANA OPERATION

## GOLD
## IGO 30%

**LOCATION**
330km northeast of Kalgoorlie, Western Australia

**PRODUCT**
Gold (Au)

**MINING**
Open pit contract mining with production from up to four contiguous pits extending some 5km in strike length

**PROCESSING METHOD**
Conventional crushing, grinding and CIL (carbon-in-leach) recovery

**SALES**
To a combination of the Perth Mint and IGO's banking partners via forward sales contracts

**FY18 PRODUCTION**
467,139oz (100% basis); 140,142oz (IGO share)

**FY18 CASH COSTS AND ALL IN SUSTAINING COSTS**
$713/oz produced and $1,061/oz sold respectively

**RESOURCES[1]**
7.29Moz Au (100%)

**RESERVES[1]**
3.95Moz Au (100%)

**ESTIMATED MINE LIFE**
10 years

**GROWTH POTENTIAL**
Grade streaming continuing in FY19
Boston Shaker underground studies and development decision
Continued optimisation of the Tropicana Mineral Resource
Regional exploration upside

1 See Resources and Reserves section on pages 23 to 28 of this report.

# TROPICANA OPERATION

## OVERVIEW

The Tropicana Operation is located on the western edge of the Great Victoria Desert of which the traditional owners and custodians emanate from the Wongatha and Spinifex peoples. It is a Joint Venture of which IGO owns 30% and AngloGold Ashanti holds 70% and is the manager.

IGO targeted and pegged the area containing the current ore reserves in 2001. AngloGold Ashanti farmed into the project in 2002, discovering the Tropicana Operation, Havana and Boston Shaker gold deposits respectively in 2005, 2006 and 2010. The decision to develop the Tropicana Operation was announced in November 2010 following completion of a positive Bankable Feasibility Study.

Mining of the Havana deposit commenced in 2012 with the first gold being produced in September 2013. In January 2018, the Tropicana Operation achieved its two million ounce milestone.

## FY18 PRODUCTION

Tropicana Operation gold production for FY18 was consistent, resulting in delivery better than the midpoint of the guidance range.

During the year, a total of 87.0 million tonnes of material was mined and hauled ex-pit. This material comprised of 9.6 million tonnes of full grade ore (>0.6 grams per tonne), 0.9 million tonnes of marginal ore (grading between 0.4 & 0.6 grams per tonne Au) and 76.5 million tonnes of waste material. Full grade ore sources were from all four pits, being the Havana and Havana South pit, the Boston Shaker pit and the Tropicana Operation pit with the average run-of-mine grade for full grade ore (>0.6 grams per tonne Au) being 1.88 grams per tonne Au for the year.

## MINING

Open pit mining operations achieved a 6% increase in tonnes mined over the previous year with 87.0 million tonnes, equating to 33.7 million bank cubic metres for the year. The ramp-up in mining rates is aligned to the Long Island Mining Strategy which was approved during FY18. The strategy involves using a strip-mining approach that minimises waste haulage distances by using in-pit waste dumping along with the implementation of a CAT 6060 (600 tonnes class) hydraulic shovel.

## PROCESSING

The mill throughput rates increased in the second half of FY18 to an average of 931 tonnes per hour, with the optimisation excellence project producing sustainable throughput increases achieving 7.8 million tonnes per annum for the year.

Construction on the second 6 mega watt ball mill progressed during the year, with the expected installation to be completed by December 2018 and operational from January 2019. The new mill will enable processing throughput rate to be increased to approximately 8.2 million tonnes per annum and gold recovery to be improved by up to 3% to approximately 92%.

## BOSTON SHAKER UNDERGROUND

A Prefeasibility Study on the underground development of Boston Shaker mineralisation is scheduled for completion by December 2018. As part of this study a 100 metres x 100 metres drilling program to define the geometry of the high-grade mineralisation has continued to extend mineralisation down-dip to approximately 700 metres. Mineralisation remains open.

## NEAR-MINE EXPLORATION

Greenfields exploration drilling completed on several Tropicana tenements in FY18 mapped basement geology and explored potential mineralised corridors identified in regional interpretation work. The FY18 (100%) spend was $10.3 million. The JV exploration plan for FY19 is to focus on near-mine resource and reserve development support and greenfields discovery work.

# REGIONAL EXPLORATION AND DEVELOPMENT

## PROJECTS/EXPLORATION OPPORTUNITIES

| | |
|---|---|
| **FRASER RANGE PROJECT** (Ni, Cu & Co) (70 – 100%) | Regional geochemical sampling, geophysical surveying and drilling.<br><br>Aircore drilling and geophysical programs have identified numerous anomalous results requiring additional exploration. |
| **LAKE MACKAY JV** (Cu, Au, Ni & Co) (70%) | Unlocking a new underexplored mineral province in the Northern Territory.<br><br>Regional geochemical sampling, airborne electromagnetic surveys, prospect mapping and rock sampling has further confirmed project potential. |
| **RAPTOR PROJECT** (Ni, Cu & Co) (100%) | New belt-scale project targeting the Willowra Gravity Ridge in the Northern Territory.<br><br>Regional aeromagnetic and radiometric surveys planned. |
| **FRONTIER PROJECT, GREENLAND** (Cu & Co) (up to 80%) | New Option/joint venture on belt-scale project targeting Zambian-style copper.<br><br>Regional reconnaissance mapping and sampling planned. |
| **DE BEERS DATABASE** (100%) | Unique sample database.<br><br>New multifaceted project generation initiative to unlock value. |

# REGIONAL EXPLORATION AND DEVELOPMENT

### Step-change growth through exploration discoveries

Exploration and discovery is core to the IGO DNA and is a key platform for our growth in value strategy.

During FY18, we continued to build our exploration team and realigned our exploration strategy with the Company's new strategic focus on energy storage and transmission metals. Our primary commodities are nickel, copper and cobalt; however, we remain interested and open to other commodity opportunities, including other battery minerals and metals and gold.

During FY18, we also further transformed our exploration project portfolio with the consolidation of an extensive brownfields ground position in the highly prospective Fraser Range to take advantage of our major infrastructure investment and advancing geological understanding at Nova.

Our discovery portfolio also includes belt-scale greenfield opportunities in the Northern Territory at the expanded Lake Mackay Project and the new 100%-owned Raptor Project, and at the Frontier Project in Eastern Greenland.

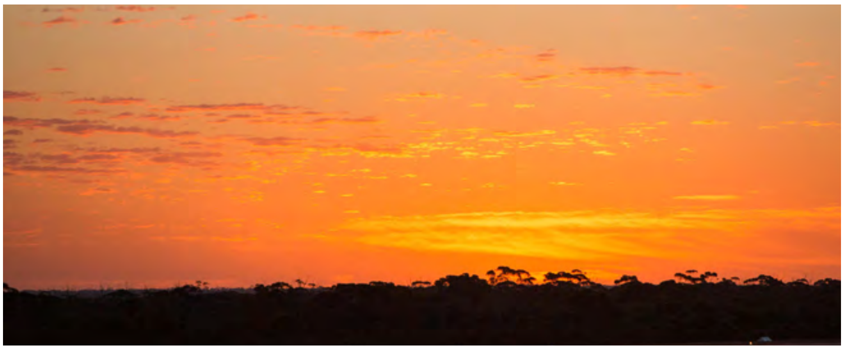
## FRASER RANGE PROJECT - WESTERN AUSTRALIA

### Base Metals Project (IGO various ownership levels)

IGO has further consolidated the largest ground position of any company in the prospective Fraser Range, east of Kalgoorlie in Western Australia. IGO currently holds approximately 15,000 square kilometres of tenure (not including Tropicana). The Fraser Range remains under-explored and highly prospective for nickel, copper and cobalt sulphide mineralisation.

IGO is in the fortunate position to be able to leverage off the Nova capital infrastructure, as well as an improving understanding of the geology, geochemistry and geophysics of the Nova-Bollinger mineral deposit.

Specifically, Nova-Bollinger is a natural laboratory and our in-mine and near-mine geoscience work and research initiatives are helping us to explore for new deposits, both immediately around Nova-Bollinger and more broadly across the Fraser Range.



Exploration activities increased during FY18, including extensive regional airborne electromagnetic (EM) surveys across the Fraser Range utilising SpectremAir, the world's most powerful airborne EM system, and the completion of Australia's largest ever hard-rock 3D seismic survey, which has imaged 300 cubic kilometres of geology around the Nova-Bollinger deposit. Other key exploration activities include extensive regional aircore drilling, to map the geology under cover and for detecting geochemical anomalies, regional ground gravity surveys, an audiomagetotelluric survey, and extensive ground moving loop EM surveys. Recently IGO initiated the use of Low-Temperature SQUID EM, which is a superior deep-penetrating ground EM system.

Numerous moving loop EM conductors and combined drill hole geology and geochemistry anomalies require follow-up drill testing in FY19, both proximal to Nova and elsewhere in the Fraser Range.

Diamond drilling was also completed on a number of targets including Andromeda (formerly called Pygmy) and Phoenix prospects, the latter of which is immediately west of Nova. Downhole EM was completed in all diamond drill holes. Follow-up drilling is required on both Andromeda and Phoenix.

At Andromeda, significant copper and zinc mineralisation was intersected in the first holes drilled to test a strong EM anomaly. The second hole, 18AFRD004[1], intersected 29.9 metres grading 1.36% copper, 2.51% zinc, 0.35 grams per tonne gold, 19.9 grams per tonne silver (the true width is unknown at this early stage). A third hole tested a stronger part of the EM conductor, approximately 100 metres north of the above intersection, with final assay results pending.

Another highlight was the identification of several magmatic nickel-copper sulphide prospects on the Nova mining lease that require follow-up downhole EM surveys and diamond drill testing.

## LAKE MACKAY JOINT VENTURE - NORTHERN TERRITORY

### Base Metals-Gold Project (IGO Manager and Option to Earn 70%)

The Lake Mackay Joint Venture with Prodigy Gold (formerly ABM Resources) is located 400 kilometres northwest of Alice Springs.

The JV has approximately 7,600 square kilometres of granted exploration licences and a further, approximately, 5,200 square kilometres of licence applications over an unexplored Proterozoic terrane, characterised by polymetallic base and precious metal mineral systems.

Exploration is at an early stage and, until recently, has been limited to a single tenement. Work programs during FY18 included diamond drilling at the Grapple Prospect, where reverse circulation drilling in FY17 led to the discovery of copper-gold (zinc-lead-silver-cobalt) mineralisation. The diamond drilling in FY18 intersected the best mineralisation discovered to-date, with a highlight being hole 17GRDD001[2]:

- 11.4 metres grading 7.9 grams per tonne gold, 21 grams per tonne silver, 0.8% copper, 1.1% zinc, 0.5% lead and 0.1% cobalt from 284.9 metres;
  - including 3.5 metres grading 18.3 grams per tonne gold, 14 grams per tonne silver, 1.1% copper, 0.3% zinc and 0.2% lead from 288.8 metres;
- 14.4 metres grading 1.8 grams per tonne gold, 6 grams per tonne silver, 1.1% copper, 0.3% zinc, 0.1% lead and 0.03% Co from 348 metres;
  - including 2 metres grading 7.2 grams per tonne gold, 1 gram per tonne silver, 0.2% copper and 0.1% zinc from 348 metres.

Elsewhere on the project, ongoing regional soil sampling is delivering encouraging polymetallic geochemical anomalies that require follow-up in FY19. In addition, ongoing regional Spectrem airborne EM surveys are delivering anomalies for ground EM follow-up and drilling.

[1] See ASX Release - 2018 Mineral Resources and Ore Reserves Update dated 26 July 2018.

[2] See ASX Release - Lake Mackay JV - Grapple Prospect Drilling Update dated 18 September 2017.

# MINERAL RESOURCES AND ORE RESERVES

IGO's Mineral Resource and Ore Reserve estimates as at 30 June 2018 and 30 June 2017 are listed on the following pages of this report. The Mineral Resource estimates are reported inclusive of Ore Reserve estimates. The totals and average of some reports may appear inconsistent with the parts, but this is due to rounding of values to levels of reporting precision commensurate with the confidence in the respective estimates.

The complete JORC Code reports, including JORC Code Table 1 checklists, which detail the material assumptions and technical parameters for each estimate, can be found at **www.igo.com.au** under the menu 'Our Business – Mineral Resources and Ore Reserves'. The JORC Code Competent Person statements for the 30 June 2018 estimates are included on page 28 of this annual report.

IGO's public reporting governance includes a chain of assurance measures. Firstly, IGO ensures that the Competent Persons responsible for public reporting:

- are current members of a professional organisation that is recognised in the JORC Code framework;
- have sufficient mining industry experience that is relevant to the style of mineralisation and reporting activity, to be considered a Competent Person as defined in the JORC Code;
- have provided IGO with a written sign-off on the results and estimates that are reported, stating that the report agrees with supporting documentation regarding the results or estimates prepared by each Competent Person; and
- have prepared supporting documentation for results and estimates to a level consistent with normal industry practices – including the JORC Code Table 1 Checklists for any results and/or estimates reported.

# IGO TOTAL

**TABLE 1** — 30 June 2017 and 30 June 2018

## IGO TOTAL — MINERAL RESOURCES

| 30 June | Project or Operation | Mass (Mt) | Grades estimates | | | | | | *In situ* metal estimates | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Ni (%) | Cu (%) | Co (%) | Zn (%) | Ag (g/t) | Au (g/t) | Ni (kt) | Cu (kt) | Co (kt) | Zn (kt) | Ag (Moz) | Au (koz) |
| 2017 | Nova | 11.4 | 2.4 | 1.0 | 0.08 | – | – | – | 271 | 113 | 9 | – | – | – |
| | Long | 1.2 | 4.6 | – | – | – | – | – | 54 | – | – | – | – | – |
| | Tropicana Operation 30% | 42.4 | – | – | – | – | – | 1.7 | – | – | – | – | – | 2,322 |
| | Jaguar | 6.5 | – | 0.9 | – | 5.6 | 85 | 0.4 | – | 55 | – | 364 | 18 | 90 |
| | Stockman | 14.0 | – | 2.1 | – | 4.3 | 38 | 1.0 | – | 287 | – | 599 | 17 | 437 |
| | **30 June 2017** | **75.5** | **Grades for totals are not additive** | | | | | | **325** | **455** | **9** | **963** | **35** | **2,849** |
| 2018 | Nova | 13.1 | 2.0 | 0.8 | 0.07 | – | – | – | 268 | 109 | 9 | – | – | – |
| | Long | 0.8 | 4.2 | – | – | – | – | – | 32 | – | – | – | – | – |
| | Tropicana Operation 30% | 41.9 | – | – | – | – | – | 1.62 | – | – | – | – | – | 2,187 |
| | Jaguar | – | – | – | – | – | – | – | – | – | – | – | – | – |
| | Stockman | – | – | – | – | – | – | – | – | – | – | – | – | – |
| | **30 June 2018** | **55.8** | **Grades for totals are not additive** | | | | | | **300** | **109** | **9** | – | – | **2,187** |

**TABLE 2** — 30 June 2017 and 30 June 2018

## IGO TOTAL — ORE RESERVES

| 30 June | Project or Operation | Mass (Mt) | Grades estimates | | | | | | *In situ* metal estimates | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Ni (%) | Cu (%) | Co (%) | Zn (%) | Ag (g/t) | Au (g/t) | Ni (kt) | Cu (kt) | Co (kt) | Zn (kt) | Ag (Moz) | Au (koz) |
| 2017 | Nova | 13.3 | 2.06 | 0.83 | 0.07 | – | – | – | 274 | 110 | 9 | – | – | – |
| | Long | 0.2 | 3.64 | – | – | – | – | – | 6 | – | – | – | – | – |
| | Tropicana Operation 30% | 17.1 | – | – | – | – | – | 1.94 | – | – | – | – | – | 1,067 |
| | Jaguar | 2.4 | – | 0.66 | – | 6.71 | 100 | 0.47 | – | 16 | – | 161 | 8 | 36 |
| | Stockman | 9.0 | – | 2.10 | – | 4.53 | 39 | 1.08 | – | 189 | – | 408 | 11 | 311 |
| | **30 June 2017** | **41.9** | **Grades for totals are not additive** | | | | | | **280** | **315** | **9** | **568** | **19** | **1,414** |
| 2018 | Nova | 11.7 | 1.86 | 0.76 | 0.06 | – | – | – | 216 | 89 | 7 | – | – | – |
| | Long | – | – | – | – | – | – | – | – | – | – | – | – | – |
| | Tropicana Operation 30% | 19.5 | – | – | – | – | – | 1.89 | – | – | – | – | – | 1,185 |
| | Jaguar | – | – | – | – | – | – | – | – | – | – | – | – | – |
| | Stockman | – | – | – | – | – | – | – | – | – | – | – | – | – |
| | **30 June 2018** | **31.2** | **Grades for totals are not additive** | | | | | | **216** | **89** | **7** | – | – | **1,185** |

# NOVA OPERATION

**TABLE 3** — 30 June 2017 and 30 June 2018

| NOVA OPERATION — MINERAL RESOURCES | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 30 June 2017 | | | | | | | 30 June 2018 | | | | | | | |
| Source | JORC Code Class | Mass (Mt) | Nickel (%) | Nickel (kt) | Copper (%) | Copper (kt) | Cobalt (%) | Cobalt (kt) | Mass (Mt) | Nickel (%) | Nickel (kt) | Copper (%) | Copper (kt) | Cobalt (%) | Cobalt (kt) |
| Underground | Measured | 5.2 | 2.63 | 137 | 1.10 | 57 | 0.08 | 4 | 11.9 | 2.15 | 256 | 0.88 | 104 | 0.07 | 9 |
| | Indicated | 4.5 | 2.50 | 112 | 1.02 | 45 | 0.09 | 4 | 1.1 | 0.88 | 10 | 0.39 | 4 | 0.04 | 0.4 |
| | Inferred | 1.7 | 1.3 | 22 | 0.6 | 10 | 0.05 | 1 | 0.1 | 0.6 | 0.4 | 0.2 | 0.1 | 0.02 | 0.02 |
| | **Subtotal** | **11.4** | **2.4** | **271** | **1.0** | **113** | **0.08** | **9** | **13.0** | **2.0** | **266** | **0.8** | **109** | **0.07** | **9** |
| Stockpiles | Measured | – | – | – | – | – | – | – | 0.1 | 1.66 | 2 | 0.68 | 1 | 0.07 | 0.1 |
| Total | Measured | 5.2 | 2.63 | 137 | 1.10 | 57 | 0.08 | 4 | 12.0 | 2.15 | 258 | 0.87 | 105 | 0.07 | 9 |
| | Indicated | 4.5 | 2.50 | 112 | 1.02 | 45 | 0.09 | 4 | 1.1 | 0.88 | 10 | 0.39 | 4 | 0.04 | 0.4 |
| | Inferred | 1.7 | 1.3 | 22 | 0.6 | 10 | 0.05 | 1 | 0.1 | 0.6 | 0.4 | 0.2 | 0.1 | 0.02 | 0.02 |
| | **Nova Operation Total** | **11.4** | **2.4** | **271** | **1.0** | **113** | **0.08** | **9** | **13.1** | **2.0** | **268** | **0.8** | **109** | **0.07** | **9** |

**TABLE 4** — 30 June 2017 and 30 June 2018

| NOVA OPERATION — ORE RESERVES | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 30 June 2017 | | | | | | | 30 June 2018 | | | | | | |
| Source | JORC Code Class | Mass (Mt) | Nickel (%) | Nickel (kt) | Copper (%) | Copper (kt) | Cobalt (%) | Cobalt (kt) | Mass (Mt) | Nickel (%) | Nickel (kt) | Copper (%) | Copper (kt) | Cobalt (%) | Cobalt (kt) |
| Underground | Proved | – | – | – | – | – | – | – | 10.2 | 1.93 | 197 | 0.79 | 80 | 0.07 | 7 |
| | Probable | 13.3 | 2.06 | 274 | 0.83 | 110 | 0.07 | 9 | 1.3 | 1.34 | 18 | 0.57 | 8 | 0.04 | 1 |
| | **Subtotal** | **13.3** | **2.06** | **274** | **0.83** | **110** | **0.07** | **9** | **11.6** | **1.86** | **215** | **0.76** | **88** | **0.07** | **7** |
| Stockpiles | Proved | – | – | – | – | – | – | – | 0.1 | 1.66 | 2 | 0.68 | 1 | 0.07 | 0.1 |
| Total | Proved | – | – | – | – | – | – | – | 10.2 | 1.93 | 198 | 0.79 | 81 | 0.07 | 7 |
| | Probable | 13.3 | 2.06 | 274 | 0.83 | 110 | 0.07 | 9 | 1.3 | 1.34 | 18 | 0.57 | 8 | 0.04 | 1 |
| | **Nova Operation Total** | **13.3** | **2.06** | **274** | **0.83** | **110** | **0.07** | **9** | **11.7** | **1.86** | **216** | **0.76** | **89** | **0.06** | **7** |

# TROPICANA OPERATION

**TABLE 5** — 30 June 2017 and 30 June 2018

| TROPICANA OPERATION — 100% MINERAL RESOURCES | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Estimate | JORC Code Class | 30 June 2017 | | | 30 June 2018 | | | |
| | | Mass | Gold | | Mass | Gold | | |
| | | (Mt) | (g/t) | (koz) | (Mt) | (g/t) | (koz) | |
| Open pit | Measured | 6.1 | 1.94 | 380 | 8.8 | 1.34 | 390 | |
| | Indicated | 79.1 | 1.61 | 4,080 | 84.1 | 1.58 | 4,290 | |
| | Inferred | 22.3 | 1.32 | 940 | 9.2 | 1.17 | 350 | |
| | **Subtotal** | **107.5** | **1.56** | **5,400** | **102.1** | **1.53** | **5,020** | |
| Underground | Measured | – | – | – | – | – | – | |
| | Indicated | 6.8 | 3.38 | 730 | 10.1 | 3.57 | 1,160 | |
| | Inferred | 11.9 | 3.15 | 1,210 | 5.7 | 3.20 | 580 | |
| | **Subtotal** | **18.6** | **3.23** | **1,940** | **15.7** | **3.44** | **1,740** | |
| Stockpiles | Measured | 15.2 | 0.82 | 400 | 21.9 | 0.74 | 520 | |
| Total | Measured | 21.3 | 1.14 | 780 | 30.7 | 0.92 | 910 | |
| | Indicated | 85.8 | 1.74 | 4,810 | 94.2 | 1.80 | 5,450 | |
| | Inferred | 34.2 | 1.95 | 2,150 | 14.9 | 1.95 | 930 | |
| | **Subtotal** | **141.3** | **1.70** | **7,740** | **139.7** | **1.62** | **7,290** | |

**TABLE 6** — 30 June 2017 and 30 June 2018

| TROPICANA OPERATION — ORE RESERVES | | | | | | | |
|---|---|---|---|---|---|---|---|
| Estimate | JORC Code Class | 30 June 2017 | | | 30 June 2018 | | |
| | | Mass | Gold | | Mass | Gold | |
| | | (Mt) | (g/t) | (koz) | (Mt) | (g/t) | (koz) |
| Open pit | Proved | 4.4 | 2.31 | 330 | 5.7 | 1.80 | 330 |
| | Probable | 43.0 | 2.13 | 2,950 | 47.5 | 2.13 | 3,260 |
| | **Subtotal** | **47.4** | **2.15** | **3,280** | **53.2** | **2.10** | **3,590** |
| Underground | Proved | – | – | – | – | – | – |
| | Probable | – | – | – | – | – | – |
| | **Subtotal** | **–** | **–** | **–** | **–** | **–** | **–** |
| Stockpiles | Proved | 9.5 | 0.93 | 290 | 11.7 | 0.96 | 360 |
| Total | Proved | 14.0 | 1.37 | 620 | 17.4 | 1.23 | 690 |
| | Probable | 43.0 | 2.13 | 2,950 | 47.5 | 2.13 | 3,260 |
| | **Tropicana Operation Total** | **57.0** | **1.94** | **3,560** | **64.9** | **1.89** | **3,950** |

# LONG OPERATION

**TABLE 7** — 30 June 2017 and 30 June 2018

| LONG OPERATION — MINERAL RESOURCES | | | | | | | |
|---|---|---|---|---|---|---|---|
| Deposit | JORC Code Class | 30 June 2017 | | | 30 June 2018 | | |
| | | Mass (Mt) | Ni (%) | Ni (kt) | Mass (Mt) | Ni (%) | Ni (kt) |
| Long | Measured | 0.10 | 5.39 | 3 | – | – | – |
| | Indicated | 0.30 | 5.11 | 14 | 0.13 | 5.34 | 7 |
| | Inferred | 0.40 | 4.7 | 17 | 0.24 | 4.8 | 12 |
| | **Subtotal** | **0.70** | **4.9** | **33** | **0.37** | **5.0** | **18** |
| McLeay + Victor South | Measured | 0.10 | 6.35 | 4 | – | – | – |
| | Indicated | 0.20 | 3.01 | 7 | 0.24 | 3.35 | 8 |
| | Inferred | 0.10 | 3.5 | 2 | 0.05 | 3.5 | 2 |
| | **Subtotal** | **0.30** | **3.70** | **12** | **0.29** | **3.4** | **10** |
| Moran | Measured | 0.10 | 7.99 | 5 | – | – | – |
| | Indicated | 0.04 | 3.38 | 1 | 0.04 | 3.75 | 2 |
| | Inferred | 0.10 | 3.7 | 2 | 0.05 | 3.6 | 2 |
| | **Subtotal** | **0.20** | **5.28** | **8** | **0.09** | **3.7** | **3** |
| Total | Measured | 0.20 | 6.59 | 12 | – | – | – |
| | Indicated | 0.50 | 4.11 | 22 | 0.40 | 4.01 | 16 |
| | Inferred | 0.50 | 4.5 | 20 | 0.35 | 4.4 | 15 |
| | **Long Operation Total** | **1.20** | **4.6** | **54** | **0.75** | **4.2** | **32** |

1. No Ore Reserves are reported for the Long Operation at 30 June 2018 as the mine has been placed on care and maintenance and all Ore Reserves have been reclassified to Mineral Resources.

# COMPETENT PERSON STATEMENTS

Information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on the information compiled by the Competent Persons listed in Table 8 below, which includes details of their respective professional memberships, their relationships to IGO and details of the reporting activity for which each Competent Person is taking responsibility.

All the Competent Persons listed below have provided IGO with written confirmation that they have sufficient experience that is relevant to the style of mineralisation and type of deposit under their consideration, and to the reporting activity being undertaken, to quality as a Competent Person as defined in the 2012 Edition of the Australasian Code For Reporting of Exploration Results, Mineral Resources and Ore Reserves – the JORC Code. They have also provided IGO with a written consent to the inclusion in this report of the respective matters based on each Competent Person's information in the form and context in which they appear in this report, and that there are no issues that could be perceived as material conflicts of interest in this public report to the ASX.

**TABLE 8** — 30 June 2017 and 30 June 2018

| IGO COMPETENT PERSONS FOR 30 JUNE 2018 ESTIMATES AND RESULTS | | | | | |
|---|---|---|---|---|---|
| | | Professional Association | | | |
| Activity | Competent Person | Membership | Number | IGO Relationship | Responsibility Activity |
| Exploration Results | Ian Sandl | MAIG/RPGeo | 2388 | **IGO General Manager Exploration** | IGO greenfield results |
| | Damon Elder | MAusIMM | 208240 | **Manager Mine Geology – Tropicana**<br>AngloGold Ashanti Australia | Tropicana Operation results |
| Mineral Resources | Mark Murphy | MAIG/RPGeo | 2157 | **IGO Resource Geology Manager** | Long Operation estimate |
| | Paul Hetherington | MAusIMM | 209805 | **IGO Senior Resource Geologist**<br>Nova Operation | Nova Operation estimate |
| | Damon Elder | MAusIMM | 208240 | **Manager Mine Geology – Tropicana**<br>AngloGold Ashanti Australia | Tropicana Operation estimate |
| Ore Reserves | Greg Laing | MAusIMM | 206228 | **IGO Superintendent Planning**<br>Nova Operation | Nova Operation estimate |
| | Andrew Bridges | MAusIMM | 300976 | **Manager Open Pit Strategy – Tropicana**<br>AngloGold Ashanti Australia | Tropicana Operation estimate |
| Annual Report 30 June 2018 | Mark Murphy | MAIG/RPGeo | 2157 | **IGO Resource Geology Manager** | Annual report compilation |

# CORPORATE GOVERNANCE

At IGO, our approach to corporate governance is more than just compliance. We believe that excellence in corporate governance is essential for the long-term sustainability of the business and is paramount to protect the interests of all our stakeholders.

Whilst the Board of Directors is responsible for the Company's corporate governance we do not see governance as just a matter for the Board. We believe good governance is about 'doing the right thing' and this is the responsibility for all those who work at IGO and this ethos is embedded throughout the organisation.

Our governance framework supports our people to deliver our strategy and provides an integral role for effective and responsible decision making at IGO.

The Board is responsible for promoting the success of the Group in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. Its key functions are setting the long-term corporate strategy, reviewing and approving business plans and annual budgets, approving material capital expenditure, approving financial statements, approving and monitoring the adherence to Company policies, developing and promoting corporate governance, and demonstrating, promoting and endorsing an ethical culture.

To assist the board to discharge its responsibilities, the Board has established the following committees:

- Audit
- Sustainability & Risk
- People & Performance
- Nomination & Governance

Details of relevant qualifications and experience for all Committee members can be found on pages 30 and 31 of this annual report.

Further information about the Committees can be found in the 2018 Corporate Governance Statement.

The Company regularly reviews its governance arrangements and corporate governance policies to reflect the growth of the Company, current legislation and best practice. Further information about governance at IGO can be found in the Governance section of our website at **www.igo.com.au** as well as copies of our Corporate Governance Standards.

## 2018 Corporate Governance Statement

The Company's Corporate Governance Statement outlines the Company's current corporate governance framework, by reference to the Corporate Governance Principles and Recommendations contained in the ASX Corporate Governance Council's 3rd Edition of its Corporate Governance Principles and Recommendations (ASX Recommendations). During FY18, the Company's corporate governance practices complied with all relevant ASX Recommendations.

The Corporate Governance Statement is current as at 29 August 2018 and has been approved by the Board. This statement can be found in the Governance section of IGO's website at **http://www.igo.com.au/irm/content/governance.aspx?RID=295**, along with the ASX Appendix 4G, a checklist cross-referencing the ASX Recommendations to disclosures in the Corporate Governance Statement, the 2018 Annual Report and the Company website.

# BOARD PROFILE

## PETER BILBE

**NON-EXECUTIVE CHAIRMAN**

Age 68

B.Eng. (Mining) (Hons), MAusIMM

**TERM OF OFFICE**

Mr. Bilbe was appointed as Non-executive Director in March 2009 and Non-executive Chairman in July 2011.

**BOARD COMMITTEES**

Audit

Nomination & Governance

People & Performance

Sustainability & Risk

**EXPERIENCE**

Mr. Bilbe is a mining engineer with over 40 years' experience in the Australian and international mining industry (gold, base metals and iron ore) in operational, managerial and board positions with various companies including Northern Iron, Aztec Resources, Portman Iron, Aurora Gold, Thiess Contractors and Kalgoorlie Consolidated Gold Mines.

Mr. Bilbe has gained extensive knowledge in strategy development, mining project development and operations across culturally diverse environments. He has significant experience in contractor mining services, risk management, project funding, mergers and acquisitions, corporate governance and investor relations and company and board leadership.

**OTHER CURRENT DIRECTORSHIPS**

Non-executive Chairman – Intermin Resources Limited and Adriatic Metals Plc.

**FORMER DIRECTORSHIPS IN THE LAST 3 YEARS**

Northern Iron Limited.

## PETER BRADFORD

**MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**

Age 60

B.AppSc., FAusIMM, Metallurgy

**TERM OF OFFICE**

Mr. Bradford was appointed as Managing Director and Chief Executive Officer in March 2014.

**BOARD COMMITTEES**

Nomination & Governance

Sustainability & Risk

**EXPERIENCE**

Mr. Bradford has 40 years' experience in gold and base metals across mining operations, exploration and development activities in Australia and internationally at an executive management and Board level. Mr. Bradford therefore brings a broad knowledge base to the Board. He is a strong advocate of the industry and the need to excite the next generation of industry practitioners and leaders to the mining sector, as well as the need to promote greater diversity and inclusion. Mr. Bradford is a Vice President of the Association of Mining and Exploration Companies Inc, a Committee member of the Western Australian Mining Club, and Chairman of the Curtin University Alumni Scholarship campaign.

**OTHER CURRENT DIRECTORSHIPS**

None.

**FORMER DIRECTORSHIPS IN THE LAST 3 YEARS**

None.

## DEBRA BAKKER

**NON-EXECUTIVE DIRECTOR**

Age 52

MAppFin., BBus. (FinAcc), GradDip FINSIA, GAICD

**TERM OF OFFICE**

Ms. Bakker was appointed as a Non-executive Director in December 2016.

**BOARD COMMITTEES**

Audit (Chair)

Nomination & Governance

People & Performance

Sustainability & Risk

**EXPERIENCE**

Ms. Bakker is an experienced financier and investment banker to the resources industry, with 10 years working in London, Chicago and New York in senior roles with Barclays Capital and Standard Bank London Group. Subsequently, Ms. Bakker established the natural resources team for Commonwealth Bank of Australia and held a number of senior roles over a 10-year period culminating as Head of Mining and Metals Origination. Ms. Bakker is currently the Western Australian Representative for Auramet Trading LLC, a New York based metals trading firm.

**OTHER CURRENT DIRECTORSHIPS**

Capricorn Metals Ltd, Azumah Resources Ltd, Access Housing Australia and Lishman Health Foundation

**FORMER DIRECTORSHIPS IN THE LAST 3 YEARS**

None.

## PETER BUCK

### NON-EXECUTIVE DIRECTOR

Age 69
M.Sc. (Geology), MAusIMM

**TERM OF OFFICE**

Mr. Buck was appointed as Non-executive Director in October 2014.

**BOARD COMMITTEES**

Audit

Nomination & Governance

People & Performance

Sustainability & Risk (Chair)

**EXPERIENCE**

Mr. Buck is a geologist with over 40 years' experience in the mineral exploration and mining industry and was directly involved with the discovery, development and mining of a number of nickel, gold and base metal deposits in Australia, Africa and Brazil. Mr Buck has worked with WMC Resources, Forrestania Gold and LionOre in executive management and director positions and was managing director of Breakaway Resources. He has been a non-executive director of Gallery Gold Ltd and PMI Gold. Mr. Buck was also a board member of the Centre for Exploration Targeting at the University of Western Australia and Curtin University and is a life member of the Association of Mining and Exploration Companies.

**OTHER CURRENT DIRECTORSHIPS**

Antipa Minerals Limited.

**FORMER DIRECTORSHIPS IN THE LAST 3 YEARS**

None.

## GEOFFREY CLIFFORD

### NON-EXECUTIVE DIRECTOR

Age 68
B.Bus., FCPA, FGIA, FAICD

**TERM OF OFFICE**

Mr. Clifford was appointed as Non-executive Director in December 2012.

**BOARD COMMITTEES**

Audit

Nomination & Governance (Chair)

People & Performance

Sustainability & Risk

**EXPERIENCE**

Mr. Clifford has more than 35 years' experience in senior accounting, finance, administration and company secretarial roles in the mining, retail and wholesale industries. Mr. Clifford has held non-executive directorships at Centaurus Metals, Fox Resources, Aztec Resources, and Atlas Iron. From 2008 until 2011 he was Non-Executive Chairman of Atlas Iron.

In respect to the skills Mr Clifford brings to the IGO Board, he has significant experience in corporate governance and ASX/ASIC compliance, mergers and acquisitions, financial reporting, treasury, fx/commodity hedging and strategic planning.

**OTHER CURRENT DIRECTORSHIPS**

Non-executive chairman - Saracen Mineral Holdings Limited and Tyranna Resources Limited

**FORMER DIRECTORSHIPS IN THE LAST 3 YEARS**

None.

## KEITH SPENCE

### NON-EXECUTIVE DIRECTOR

Age 64
BSc. (Geophysics) (Hons)

**TERM OF OFFICE**

Mr. Spence was appointed as Non-executive Director in December 2014.

**BOARD COMMITTEES**

Audit

Nomination & Governance

People & Performance (Chair)

Sustainability & Risk

**EXPERIENCE**

Mr Spence has over 40 years' experience in the oil and gas industry in Australia and internationally, including 18 years with Shell and 14 years with Woodside where he held executive positions including Chief Operating Officer and Acting Chief Executive Officer. He has experience in exploration and appraisal, development, project construction, operations and marketing.

He has served as a non-executive director and chair for listed companies since 2008, working in energy, oil and gas, mining, and engineering and construction services and renewable energy. He chaired the board of the National Offshore Petroleum Safety and Environmental Management Authority for seven years.

**OTHER CURRENT DIRECTORSHIPS**

Non-executive chairman - Santos Limited and Base Resources Limited and non-executive director - Murray & Roberts Holdings Limited.

**FORMER DIRECTORSHIPS IN THE LAST 3 YEARS**

Oil Search Limited.

## NEIL WARBURTON

### NON-EXECUTIVE DIRECTOR

Age 62
Assoc. MinEng WASM, MAusIMM, FAICD

**TERM OF OFFICE**

Mr. Warburton was appointed as Non-executive Director in October 2015.

**BOARD COMMITTEES**

Nomination & Governance

People & Performance

Sustainability & Risk

**EXPERIENCE**

Mr. Warburton is a qualified mining engineer with more than 38 years' experience in gold and nickel development and mining. He was previously the Chief Executive Officer of Barminco Limited and Managing Director of Coolgardie Gold. Neil Warburton is also a Member of the WA School of Mines Alumni Council.

Mr Warburton brings a strong underground mining expertise to the Board and is associated with Mark Creasy (IGO's largest shareholder).

**OTHER CURRENT DIRECTORSHIPS**

Non-Executive Chairman of Flinders Mines Limited and Coolgardie Minerals Limited.

**FORMER DIRECTORSHIPS IN THE LAST 3 YEARS**

Australian Mines Limited, Sirius Resources NL, Peninsular Energy Limited, Namibian Copper Limited and Red Mountain Mining Ltd (non-executive chairman).

# DIRECTORS' REPORT
30 JUNE 2018

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Independence Group NL (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2018.

## DIRECTORS

The following persons held office as Directors of Independence Group NL during the whole of the financial year and up to the date of this report, unless otherwise noted:

Peter Bilbe
Peter Bradford
Debra Bakker
Peter Buck
Geoffrey Clifford
Keith Spence
Neil Warburton

## PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were nickel, copper and cobalt mining and processing at the Nova Operation, non-operator gold mining from the Company's 30% interest in the Tropicana Operation, nickel mining at the Long Operation, zinc, copper and silver mining at the Jaguar Operation and ongoing mineral exploration.

## DIVIDENDS

Dividends paid to members during the financial year were as follows:

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| Final ordinary dividend for the year ended 30 June 2017 of 1.0 cent (2016: 2.0 cents) per fully paid share | **5,868** | 11,734 |
| Interim ordinary dividend for the year ended 30 June 2018 of 1.0 cent (2017: 1.0 cent) per fully paid share | **5,868** | 5,867 |
| | **11,736** | 17,601 |

In addition to the above dividends, since the end of the financial year the Company has announced the payment of a final ordinary dividend of $11,807,000 (2 cents per fully paid share, fully franked) to be paid on 27 September 2018.

## OPERATING AND FINANCIAL REVIEW

This review should be read in conjunction with the financial statements and the accompanying notes.

Independence Group NL is a company listed on the Australian Securities Exchange (ASX:IGO). The Company has been listed on the ASX since 17 January 2002, having traded as Independence Gold NL from 17 January 2002 to 19 December 2003.

### SUMMARY OF OPERATIONS

The Group currently has the following operations in the production phase in Western Australia:

- The Nova Operation, 100% owned, was acquired as a development stage project via the acquisition of Sirius Resources NL (Sirius) in September 2015. The Nova Operation is located in the Fraser Range, approximately 160km east-northeast of Norseman, 360km southeast of Kalgoorlie and 380km from the Port of Esperance in Western Australia. The Ngadju People are the Traditional Owners of the land.

  The Nova Operation comprises an underground mine consisting of two orebodies, Nova and Bollinger, as well as a processing facility with a nameplate production capacity of 1.5 million tonnes per annum that produces a nickel concentrate and a copper concentrate, and associated infrastructure.

  Commercial production was declared at the Nova Operation on 1 July 2017, with nameplate production capacity reached shortly thereafter. In late FY18, a higher than nameplate rate of 1.8 million tonnes per annum was trialled, and the initial results have been positive. Learnings from this trial will be utilised to make future mining and process plant changes to enable continuous operations at 1.8 million tonnes per annum.

- The Tropicana Operation (IGO: Non-operator joint venturer; 30% owned) is located 330km east northeast of Kalgoorlie. The gold deposits occur over a 5km strike length with gold mineralisation intersected to a depth of 1km vertically beneath the natural surface.

  The original designed nameplate capacity of the processing plant of 5.8 million tonnes per annum was achieved in March 2014. In 2016 and early 2017, the processing plant went through a re-design and optimisation project to increase the throughput capacity to 7.5 million tonnes per annum, a rate at which the Tropicana Operation was able to demonstrate in the second half of FY17. In FY18, the Tropicana Operation announced the construction of a second 6 mega watts ball mill, with the installation of the mill expected to be completed by December 2018. The second ball mill will enable processing throughput rate to be increased by about 5% to 8.2 million tonnes per annum and gold recovery to be increased by up to 3% to approximately 92%.

  During FY18, a pre-feasibility study investigating underground mining under the Boston Shaker pit commenced. Encouraging results have been received from 100m x 100m framework drilling. A program of 50m x 25m spaced infill drilling commenced to support underground/open-pit interface studies and will be incorporated into the Mineral Resource estimate to be completed as part of the Underground Prefeasibility Study. This study is confirming underground mining potential at Boston Shaker, extending mineralisation to ~700m down dip from Long Island pit designs, with mineralisation remaining open at depth. The study is expected to be completed in the December 2018 quarter.

Other Group activities during the year included:

- A decision to divest the Jaguar Operation. On 28 May 2018, the Company announced the divestment of the Jaguar Operation to CopperChem Pty Limited (CopperChem), a wholly owned subsidiary of Washington H. Soul Pattinson and Company Limited.

  Completion of the transaction occurred on 31 May 2018, when IGO received a cash payment of $25 million. Three future annual cash payments of $16.1 million are scheduled, which will make up the total consideration of $73.2 million.

- Placing the Long Operation into care and maintenance in June 2018.

  IGO is actively maintaining the Long Operation during care and maintenance to ensure it remains in a state of readiness for a number of options, including recommencement of mining, exploration and/or rehabilitation. Whilst in care and maintenance, the Company will continue to dewater the underground mine, maintain surface and underground infrastructure, and undertake earthworks to ensure public safety and minimise environmental impacts.

  IGO is also taking this opportunity to progressively rehabilitate some of the legacy landforms on the site including the old tailings storage facilities and waste (mullock) rock dump.

- IGO successfully produced nickel sulphate hexahydrate crystals as part of a prefeasibility metallurgical testwork program. The testwork has demonstrated the technical feasibility (proof of concept) for the proposed hydrometallurgical process to produce nickel sulphate directly from nickel concentrate. The prefeasibility study has commenced.

## EXPLORATION OVERVIEW

The Company is committed to transformational value creation through exploration discovery. During FY18, the Group has continued to build and develop its unique portfolio of highly prospective brownfields opportunities and belt scale greenfield projects. Key work activities completed during this period include:

### BROWNFIELDS EXPLORATION

- Regional brownfields exploration based out of the Tropicana Operation comprised of aircore drilling to the south of the existing mine in E39/1989 and E39/1990, and aircore drilling to the north in E38/3192 and E38/1464 around the Purple Haze prospect. These aircore programs seek to understand basement geology and explore potential mineralised corridors identified in regional structural interpretation work. Results of these programs were being processed at the end of the financial year.

  Regional exploration drilling was completed at Hidden Dragon, Madras, Seahorse and New Zebra located south of the existing operations during the year, with results from these programs still pending at year-end.

- Nova Operation – Underground grade control drilling of the Nova-Bollinger orebodies continued during FY18 and was completed in July 2018 (273 kilometres drilled project to date). Two diamond drill rigs were demobilised during the year, leaving one drill rig to commence underground drilling of exploration targets. This includes drilling of the Phoenix targets in early FY19.

  A 58 square kilometre, high-resolution 3D seismic survey contracted to HiSeis Pty Ltd was completed in April 2018. This seismic survey is the largest high-resolution 3D hard rock seismic survey ever undertaken in Australia. The processing of this data was completed and delivered to the Company in August 2018.

- Long Operation – Reprocessing and reinterpretation of 3D seismic data has resulted in the development of a number of exploration targets at Long. These targets will be tested as part of the planned FY19 exploration program.

### GREENFIELDS EXPLORATION

- Fraser Range – During FY18, the Company continued to consolidate prospective tenement packages over the Fraser Range for total holdings of approximately 15,000 square kilometres. Extensive regional exploration activities continued across the Fraser Range including 25,051 line kilometres of airborne EM surveys by SpectremAir completed in FY18 before moving the SpectremAir plane to the Company's Lake Mackay project in June 2018. SpectremAir returned to the Fraser Range in August 2018.

  Aircore drilling and diamond drilling continued in FY18 with further drilling planned for FY19.

- Lake Mackay – Extensive regional exploration activities continued at Lake Mackay during FY18. SpectremAir was selected to undertake a large regional airborne EM survey across large parts of the project, and by the end of the financial year approximately half of the survey had been flown. Two of the areas flown were co-funded by the Northern Territory Government under their Geophysics and Drilling Collaborations Program, which formed part of the Creating Opportunities for Resource Exploration initiative that, among other things, aimed to improve the quality and coverage of regional exploration geophysics across prospective areas of the Northern Territory. The airborne EM survey will continue in FY19.

  During the year, results were received from infill soil sampling of anomalous areas of residual soil surrounding EL24915. Several significant anomalies were confirmed north and northeast of the Grapple prospect in a broad area known as the Blaze prospect. The anomalous metals include copper, gold, cobalt, silver, zinc and lead , which is a similar response to the Grapple Prospect.

  Elsewhere on the project, prospect-scale geological mapping, soil sampling and rock chip sampling was completed at various existing prospects to better understand the local geology associated with each of the mineralised areas. This included the Grimlock prospect (previously known as Du Faur), where previous rock sampling returned anomalous nickel and cobalt associated with manganese-rich 'ironstone duricrust'.

## FINANCIAL OVERVIEW

The objective and strategy of the Group is to create long–term shareholder value through the discovery, acquisition, development and operation of low cost and high grade gold and base metals projects, with an emphasis on the production of metals and minerals that will link IGO into the energy storage supply chain. Since incorporation in 2002, and including the current financial year, the Company has returned to shareholders in excess of $176.0 million by way of a combination of $166.2 million fully franked dividends and a $9.7 million share buy back in 2009. The Company currently has 590,330,693 shares outstanding.

The Group's future prospects are dependent on a number of external factors that are summarised towards the end of this report.

At the end of the financial year, the Group had cash and cash equivalents of $138.7 million and marketable securities of $24.3 million (2017: $35.8 million and $15.3 million respectively).

Cash flows from operating activities for the Group were $277.8 million, compared to the FY17 year of $77.7 million. This was predominantly a result of the Nova Operation achieving commercial production from 1 July 2017, combined with strong operational cash flows from the Tropicana Operation, Long and Jaguar operations. Nova Operation generated $146.7 million cash flows from operating activities, which was a result of 14,074 tonnes of payable nickel sold, 8,455 tonnes of payable copper and 217 tonnes of payable cobalt sold during the year. Tropicana Operation generated cash from operating activities of $134.8 million off the back of 138,748 ounces of gold refined and sold. Cash flow from operating activities from Long Operation and Jaguar Operation were $19.9 million and $39.8 million respectively.

Lastly, cashflow from operating activities include payments for exploration and growth expenditure and net borrowing costs amounting to $40.7 million and $7.2 million respectively.

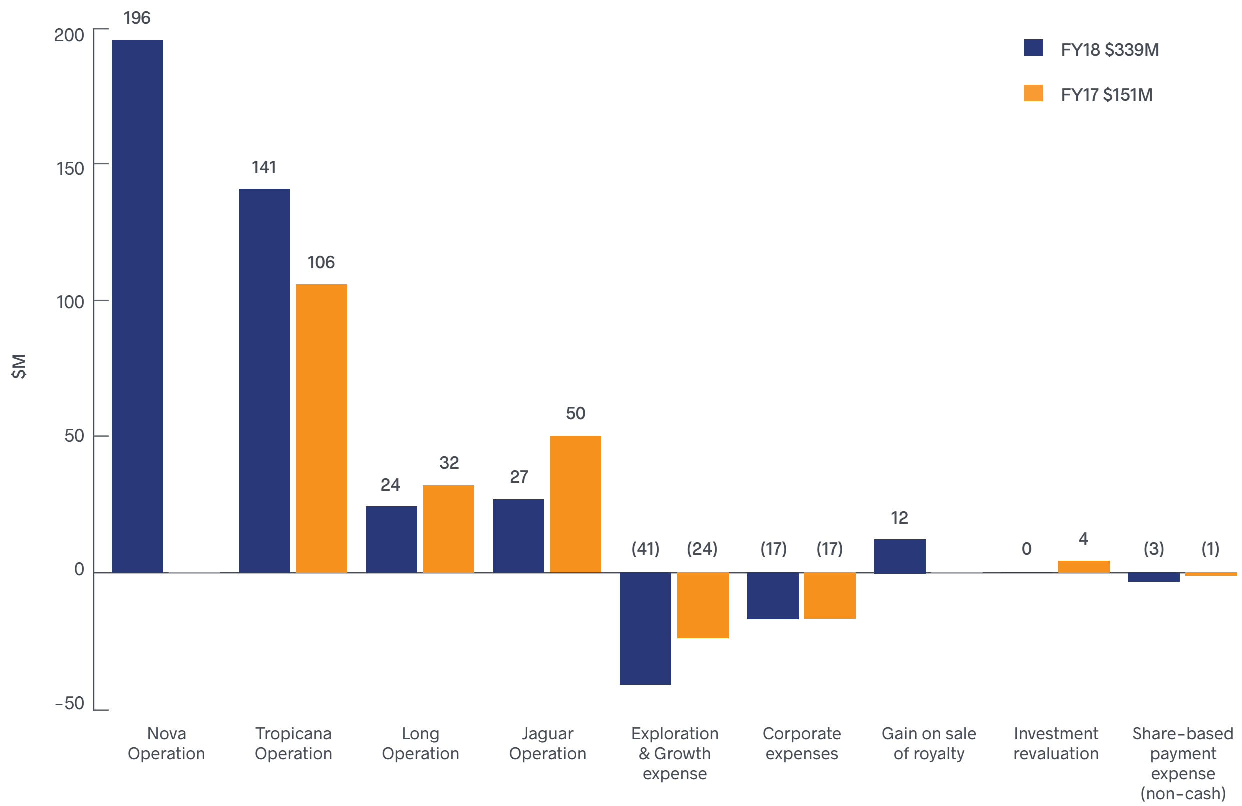
Cash outflows from investing activities decreased to $105.0 million for the year, compared to $273.3 million in FY17. This was primarily a result of the construction of the Nova Operation being largely completed in FY17, with commercial production being declared from 1 July 2017. The Company spent $114.5 million on development expenditure, with the majority of that being waste stripping at the Tropicana Operation ($54.4 million) and underground mine development at the Nova Operation ($47.9 million).

During the year, IGO divested the Jaguar Operation to CopperChem, with the Company receiving the first cash payment of $25.0 million. Total consideration was $73.2 million, with three future cash payments of $16.1 million scheduled for the anniversaries of the completion date.

During the year, IGO became a substantial shareholder in Orion Minerals NL (Orion) via a $5.0 million share placement to secure preferential rights to joint venture or purchase Orion's nickel projects in the highly prospective Areachap Belt located in the Northern Cape, South Africa.

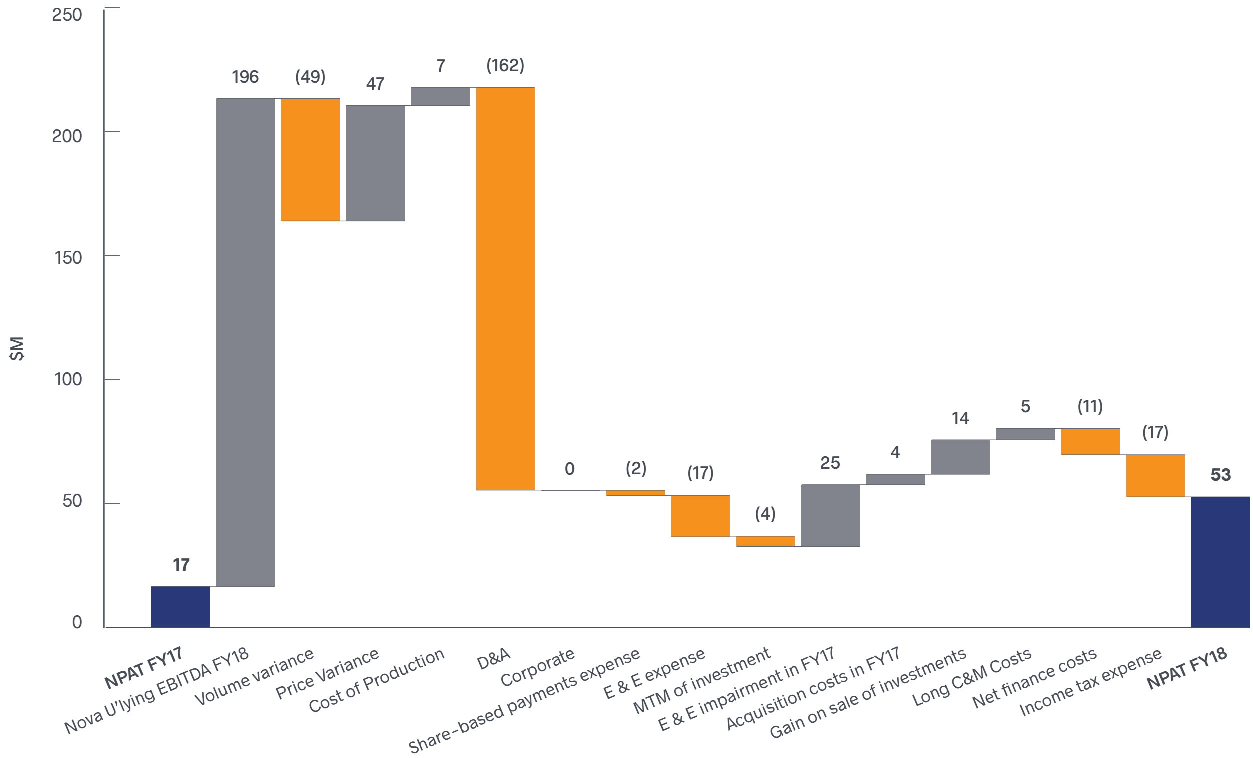
Cash flows from financing activities during the financial year included two semi-annual repayments of borrowings totalling $57.1 million, and dividends paid totalling $11.7 million. As at 30 June 2018, the Company's outstanding debt was $142.9 million. During the financial year, the Company renegotiated its syndicated debt facilities, resulting in the Company's $200 million revolving credit facility being voluntarily cancelled.

During discussions of the operating results of its business, the Group's Board and management monitor a measure commonly understood as Underlying EBITDA. The Board considers this measure to be important to the Group and investors alike, as it represents a useful proxy to measuring an operation's cash generating capabilities. Underlying EBITDA is calculated as profit before tax adjusted for finance costs, interest income, asset impairments, gain on sale of subsidiaries, retention and redundancy costs, depreciation and amortisation. Underlying EBITDA increased relative to the previous financial year to a record level as can be seen in the following chart:

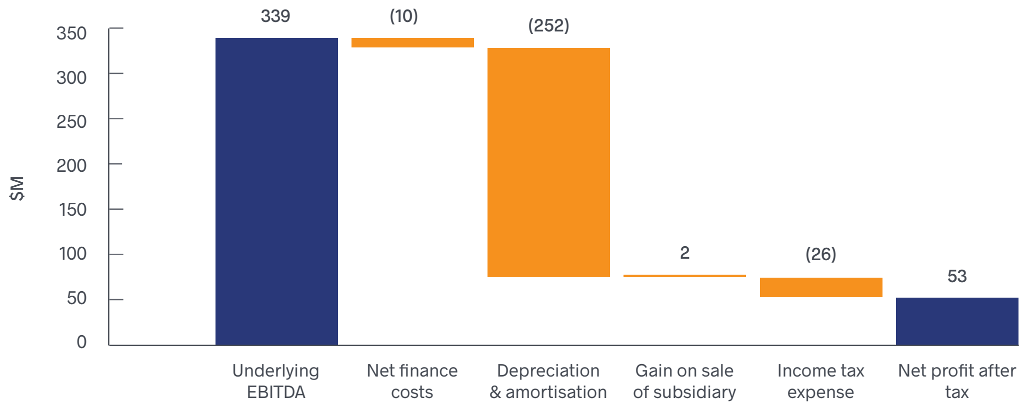


Net profit after tax (NPAT) for the year was $52.7 million, compared to $17.0 million in the previous financial year. The primary driver for this is the inclusion of the Nova Operation in results, following declaration of commercial production on 1 July 2017. In addition, current year NPAT includes a gain in respect of an agreement with Dacian Gold Limited for the sale of the Jupiter mine royalty for consideration of $11.5 million.

**NPAT VARIANCE FY18 VS FY17**




Below is a reconciliation of Underlying EBITDA to NPAT for FY18:




Depreciation and amortisation expense of $252.1 million was significantly higher than the previous financial year of $89.8 million due to the inclusion of depreciation and amortisation from the Nova Operation into the results for the year.

## NOVA OPERATION

The Nova Operation commenced commercial production on 1 July 2017, five years following discovery, with a significant portion of underground development completed at the Nova and Bollinger ore bodies. The mining activities and processing plant at the Nova Operation reached its nameplate 1.5 million tonnes per annum mining rate in early FY18 and finished the year strongly with a record mining rate of 1.8 million tonnes per annum, 20% above nameplate being achieved for a trial period. This was achieved underground through the improved availability of mining fronts, which included significant contribution of tonnes from the Bollinger ore body. Nickel metallurgical recoveries in the processing plant generally performed in line with modelled recoveries. Contained nickel and copper in concentrate produced for the period were 22,258 tonnes and 9,545 tonnes respectively.

Nova revenue for the period was $348.8 million which was derived from nickel, copper and cobalt sales. Concentrate for the period was sold to Glencore International AG (Glencore), Trafigura Pte Ltd (Trafigura) and BHP Billiton Nickel West Pty Ltd (BHPB Nickel West), with sales amounting to 14,074 tonnes of payable nickel, 8,455 tonnes of payable copper and 217 tonnes of payable cobalt. Nickel cash costs per pound produced, which comprises the costs of producing nickel at the mine site and includes credit adjustments for copper and cobalt sales, were $2.78 per pound.

| NOVA OPERATION | | |
|---|---|---|
| | | **2018** |
| Total revenue | $'000 | **348,792** |
| Segment operating profit before tax | $'000 | **35,623** |
| Total segment assets | $'000 | **1,374,188** |
| Total segment liabilities | $'000 | **747,011** |
| Ore mined | tonnes | **1,511,920** |
| Nickel grade | % | **1.83** |
| Copper grade | % | **0.75** |
| Cobalt grade | % | **0.06** |
| Ore milled | tonnes | **1,427,072** |
| Metal in concentrate | | |
| – Nickel | tonnes | **22,258** |
| – Copper | tonnes | **9,545** |
| – Cobalt | tonnes | **740** |
| Metal payable | | |
| – Nickel | tonnes | **15,586** |
| – Copper | tonnes | **8,666** |
| – Cobalt | tonnes | **238** |
| Nickel cash costs and royalties* | A$/lb total Ni metal payable | **2.78** |

* Includes credits for copper and cobalt

### TROPICANA OPERATION

Revenue from the Tropicana Operation for the period was $240.4 million, up 13% on the previous year result of $211.9 million as a result of higher AUD dollar gold prices and more gold sold. The average AUD gold price achieved throughout the period was $1,729 per ounce, an increase of $79 per ounce compared to the previous period. The Company's share of gold refined and sold was 138,748 ounces, up 8% on the prior year. The drivers for the higher gold sold include higher ore milled, and improved mill feed grades attributed to the grade streaming strategy commenced towards the end of the financial year. The grade streaming is expected to continue in FY19.

Cash costs per ounce produced, which comprises the costs of producing gold at the mine site and includes credit adjustments for waste stripping costs and inventory build and draw costs, were $713 per ounce, while All-in Sustaining Costs (AISC) per ounce sold were $1,061 per ounce. AISC comprises of cash costs and capitalised sustaining deferred waste stripping costs, sustaining exploration costs, sustaining capital and non-cash rehabilitation accretion costs. AISC excludes improvement capital expenditure and greenfields exploration expenditure.

Total Tropicana Operation assets increased by 22.5% due to ongoing contributions by the Company to the operation by way of cash calls paid to the joint venture manager ($166.2 million for the year). Tropicana Operation liabilities largely remained steady, increasing by $2.4 million to $36.5 million.

During the year, a total of 9.6 million tonnes of full grade ore (>0.6 grams per tonne), 0.9 million tonnes of marginal ore (grading between 0.4 & 0.6 grams per tonne Au) and 76.5 million tonnes of waste material was mined, with the average run-of-mine grade for full grade ore (>0.6 grams per tonne Au) being 1.88 grams per tonne Au for the year. Ore milled was 7.8 million tonnes, which was up 7% on the prior year as a result of improved mill feed grades, while grade milled was 2.11 grams per tonne for FY18.

At year end, the capitalised run of mine stockpile totalled 11.3 million tonnes grading an average of 0.92 grams per tonne (2017: 9.5 million tonnes at 0.93 grams per tonne).

During the year, an underground concept study in the Boston Shaker open pit was undertaken. Following successful initial results, the study was progressed through to a Pre-feasibility Study, which is expected to be completed by the December 2018 quarter.

The table below outlines the key results and operational statistics during the current and prior year.

**TROPICANA OPERATION**

| | | 2018 | 2017 |
|---|---|---|---|
| Total revenue | $'000 | **240,377** | 211,915 |
| Segment operating profit before tax | $'000 | **86,292** | 58,300 |
| Total segment assets | $'000 | **1,270,549** | 1,037,257 |
| Total segment liabilities | $'000 | **36,486** | 34,071 |
| Gold ore mined (>0.6g/t Au) | '000 tonnes | **9,568** | 7,900 |
| Gold ore mined (>0.4 and 0.6g/t Au) | '000 tonnes | **884** | 975 |
| Waste mined | '000 tonnes | **76,544** | 73,249 |
| Gold grade mined (>0.6g/t) | g/t | **1.88** | 2.05 |
| Ore milled | '000 tonnes | **7,781** | 7,326 |
| Gold grade milled | g/t | **2.11** | 2.07 |
| Metallurgical recovery | % | **88.9** | 89.1 |
| Gold recovered | ounces | **469,071** | 431,005 |
| Gold produced | ounces | **467,139** | 431,625 |
| Gold refined and sold (IGO share) | ounces | **138,748** | 128,601 |
| Cash Costs | $ per ounce produced | **713** | 817 |
| All-in Sustaining Costs (AISC)* | $ per ounce sold | **1,061** | 1,162 |

* All-in Sustaining Costs is a measure derived by the World Gold Council. On 27 June 2013, the Council released a publication outlining definitions of both Cash Costs and All-in Sustaining Costs.

### LONG OPERATION

Long nickel production was within guidance and the Operation has successfully transitioned to care and maintenance in June 2018. Up to the point of transition to care and maintenance, the Long Operation continued to supply ore to BHPB Nickel West under its ore tolling agreement, whereby the Group is paid for the nickel metal contained in the ore mined, less applicable ore toll charges and payability discounts.

Total revenue decreased by 8% during FY18, due to decreasing mining activities. During the year a total of 181,822 tonnes of ore was mined, sourced from Moran (40%), Long (32%) and McLeay (28%), with the majority of ore continuing to be mined from long hole stoping. Payable cash costs including royalties (net of copper credits) were higher at $4.87 per payable pound of nickel (2017: $3.28 per payable pound of nickel).

The table below highlights the key results and operational statistics during the current and prior year.

| LONG OPERATION | | | |
|---|---|---|---|
| | | **2018** | **2017** |
| Total revenue | $'000 | **64,782** | 70,475 |
| Segment operating profit before tax | $'000 | **1,368** | 716 |
| Total segment assets | $'000 | **22,194** | 38,693 |
| Total segment liabilities | $'000 | **26,725** | 40,402 |
| Ore mined | tonnes | **181,822** | 205,372 |
| Nickel grade | head % | **3.22** | 4.11 |
| Copper grade | head % | **0.22** | 0.29 |
| Tonnes milled | tonnes | **181,822** | 205,372 |
| Nickel delivered (contained) | tonnes | **5,855** | 8,433 |
| Copper delivered (contained) | tonnes | **394** | 592 |
| Metal payable (IGO share) | | | |
| – Nickel | tonnes | **3,497** | 5,098 |
| – Copper | tonnes | **160** | 240 |
| Ni cash costs and royalties* | A$ per pound of payable metal | **4.87** | 3.28 |

* Cash costs include credits for copper.

### JAGUAR OPERATION

FY18 financial and operational statistics provided below are for the period ending 31 May 2018, being the completion date for the divestment of the Jaguar Operation.

Jaguar revenue for the period was $112.1 million, lower than the previous year result of $137.5 million due to lower zinc and copper production, combined with results for only 11 months of the year. This was partially offset by higher AUD dollar zinc and copper metal prices compared to the previous year. Segment operating profit before tax decreased by $20.6 million over the prior year predominately due to lower segment revenue, partially offset by higher general administration costs. Other production costs were in line with the previous financial year.

Production from the Bentley underground mine was lower than the prior period predominantly due to the divestment at the end of May 2018, missing out on the final month of production. Higher grade stopes became available late FY18 which led to a strong finish to the year with ore mined for the month of May 2018 reaching a record production rate of 50,849 tonnes. Ore mined was 414,582 tonnes, at a zinc grade of 7.1% and copper grade of 0.6%.

Processing plant performance was generally constrained by the availability of ore from the Bentley underground mine with 411,219 tonnes milled for the period ending May 2018.

The table below outlines the key results and operational statistics during the current year (11 months only) and prior year.

| JAGUAR OPERATION | | | |
|---|---|---|---|
| | | **2018** | 2017 |
| Total revenue | $'000 | **112,136** | 137,470 |
| Segment operating profit before tax | $'000 | **12,893** | 33,534 |
| Total segment assets* | $'000 | **–** | 175,917 |
| Total segment liabilities* | $'000 | **–** | 25,665 |
| Ore mined | tonnes | **414,582** | 444,700 |
| Copper grade | % | **0.6** | 1.3 |
| Zinc grade | % | **7.1** | 8.3 |
| Silver grade | g/t | **125** | 134 |
| Gold grade | g/t | **0.47** | 0.52 |
| Ore milled | tonnes | **411,219** | 443,485 |
| Metal in concentrate | | | |
| – Copper | tonnes | **1,695** | 4,565 |
| – Zinc | tonnes | **26,159** | 32,638 |
| – Silver | ounces | **1,067,400** | 1,376,521 |
| – Gold | ounces | **1,226** | 2,532 |
| Metal payable | | | |
| – Copper | tonnes | **1,625** | 4,377 |
| – Zinc | tonnes | **21,747** | 27,067 |
| – Silver | ounces | **736,249** | 951,182 |
| – Gold | ounces | **1,136** | 2,328 |
| Zinc cash costs and royalties** | A$/lb total Zn metal payable | **1.25** | 0.76 |

* Nil at end of FY18 due to divestment.

** Cash costs include credits for copper, silver and gold.

## EXTERNAL FACTORS AFFECTING THE GROUP'S RESULTS

The Group operates in an uncertain economic environment and its performance is dependent upon the result of inexact and incomplete information. As a consequence, the Group's Board and management monitor these uncertainties and, where possible, mitigate the associated risk of adverse outcomes. The following external factors are all capable of having a material adverse effect on the business and will affect the prospects of the Group for future financial years.

### COMMODITY PRICES

The Group's operating revenues are sourced from the sale of base metals and precious metals that are priced by the London Metals Exchange and, as the Group is not a price maker with respect to the metals it sells, it is, and will remain, susceptible to adverse price movements. The Group mitigates its exposure to commodity prices through a financial risk management policy in which a percentage of anticipated usage can be hedged. To this end, gold hedging in FY19 represents approximately 30% of the Group's share of forecast annual gold production.

The Company has also initiated diesel hedging in order to protect against increases in oil prices, and as at year end, the Company had hedged approximately 16% of anticipated usage for FY19.

### EXCHANGE RATES

The Group is exposed to exchange rate risk on sales denominated in United States dollars (USD) whilst its Australian dollar (AUD) functional currency is the currency of payment to the majority of its suppliers and employees. The daily average AUD/USD currency pairs' strengthened over the FY18 year. A stronger AUD implies a lower AUD receipt of sales denominated in USD. The Group's policy is to mitigate adverse foreign exchange risk by transacting commodity hedges in AUD equivalent terms where possible.

### DOWNSTREAM PROCESSING MARKETS

The price of sea freight, smelting and refining charges are market driven and vary throughout the year. These also impact on the Group's overall profitability.

### INTEREST RATES

Interest rate movements affect both returns on funds on deposit as well as the cost of borrowings. Furthermore, AUD and USD interest rate differentials are intimately related to movements in the AUD/USD exchange rate.

### NATIVE TITLE AND HERITAGE SITES

With regard to tenements in which the Group has an existing interest in, or will acquire an interest in the future, it is the case that there are areas over which Native Title rights exist, or may be found to exist, which may preclude or delay exploration, development or production activities. The comparable, albeit lesser risk, arises from the potential presence of archaeological and ethnographic sites.

The Company engages suitably qualified personnel to assist with the management of its exposure to native title and heritage risks, including appropriate legal and community relations experts. These risks are discussed in more detail in the Company's Sustainability Report which can be found on the Company's website.

### EXPOSURE TO ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISKS

The Group has material exposure to economic, environmental and social sustainability risks, including changes in environmental regulatory legislation.

The Group employs suitably qualified personnel to assist with the management of its exposure to environmental and social sustainability risks, including appropriate health and safety personnel and environmental professionals. These risks are discussed in more detail in the Company's Sustainability Report which can be found on the Company's website.

### OTHER EXTERNAL FACTORS AND RISKS

- Operational performance including uncertain mine grades, seismicity, ground support conditions, grade control, in fill resource drilling, mill performance, access to water and experience of the workforce;
  - Contained metal (tonnes and grades) are estimated annually and published in resource and reserve statements, however actual production in terms of tonnes and grade often vary as the orebodies can be complex and inconsistent.
  - Active underground mining operations can be subjected to varying degrees of seismicity. This natural occurrence can represent significant safety, operational and financial risk. To mitigate this risk, substantial amounts of resources and technology are used in an attempt to predict and control seismicity.
- Exploration success or otherwise;
  - Due to the nature of an ever depleting reserve/resource base, the ability to find or replace reserves/resources presents a significant operational risk.
- Operating costs including labour markets and productivity;
  - Labour is one of the main cost drivers in the business and as such can materially impact the profitability of an operation.
- Changes in market supply and demand of products;
  - Any change in supply or demand impacts on the ability to generate revenues and hence the profitability of an operation.
- Changes in the technological advancement of the energy storage market, and the discovery and adoption of alternate product streams;
- Changes in government taxation legislation;
- Changes in health and safety regulations;
- Environmental issues and social expectations; and
- Assumption of estimates that impact on reported asset and liability values.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the current year, the Company completed the divestment of the Stockman Project to CopperChem Limited (CopperChem), a subsidiary of Washington H. Soul Pattinson and Company Limited.

The Company entered into an agreement to sell its Stockman Project in north-east Victoria to CopperChem on 14 June 2017 for total proceeds of up to $47.2 million, comprising $32.2 million in cash payments and a 1.5% net smelter return royalty with provisional value of up to $15.0 million. Completion of the transaction was subject to the satisfaction of certain conditions relating to the Stockman Project. All sales conditions were satisfied and completion of the sale occurred in December 2017. Partial proceeds of $22.2 million have been received to 30 June 2018, with the balance of $10.0 million due to be received in the first half of FY19.

On 25 May 2018, the Company announced that it had entered into an agreement with CopperChem to divest the Jaguar Operation for a total consideration of $73.2 million. The consideration comprised $25.0 million in cash on completion of the transaction and an additional $48.2 million in deferred cash payments. The transaction was completed on 31 May 2018, with the Company receiving a cash payment of $25.0 million, with three future cash payments of $16.1 million to be received on each of the three anniversaries of the completion date.

The Company also restructured its existing banking facilities during the period, with the cancellation of the outstanding $200.0 million revolving loan facility expiring in September 2020.

There have been no other significant changes in the state of affairs of the Group during the year.

## EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 29 August 2018, the Company announced that a final dividend for the year ended 30 June 2018 would be paid on 27 September 2018. The dividend is 2 cents per share and will be fully franked.

On 3 July 2018, the Company announced that it had entered into tenement purchase and joint venture agreements (the JV Agreements) with three entities owned and controlled by Mark Creasy (Creasy Group). The group of tenements, to be called the Southern Hills tenements, are contiguous to the Nova Mining Lease and cover approximately 1,100 square kilometres of highly prospective Fraser Range geology over the primary gravity ridge west and southwest of Nova.

Following the execution of and pursuant to the JV Agreements, the Company paid the Creasy Group $21.0 million in July 2018 to earn a 70% managing interest in the Southern Hills tenements. The $21.0 million purchase price comprised a cash payment of $5.3 million and the issue of $15.7 million in shares in Independence Group NL at an issue price equal to the 20-day volume weighted average price to 28 June 2018.

Other than the above, there has been no other transaction or event of a material and unusual nature likely, in the opinion of the Directors, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## COMPANY SECRETARY

Ms. Joanne McDonald was appointed to the position of Company Secretary on 5 October 2015. Ms. McDonald is a qualified Chartered Secretary with over 14 years' experience working for listed companies in multiple jurisdictions. Ms. McDonald was previously Assistant Company Secretary with Paladin Energy Ltd and, during her eight years at Paladin, she also held the role of Company Secretary of Summit Resources Ltd. Ms. McDonald is a Fellow of the Governance Institute Australia and a Graduate of the Australian Institute of Company Directors.

## MEETINGS OF DIRECTORS

The numbers of meetings of the Directors and of each Board Committee held during the year ended 30 June 2018, and the numbers of meetings attended by each Director were:

| | | | Meetings of committees | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Full meetings of directors | | People & Performance Committee | | Audit Committee | | Nomination & Governance Committee | | Sustainability & Risk Committee | |
| Name | A | B | A | B | A | B | A | B | A | B |
| Debra Bakker | 8 | 8 | 3 | 3 | 6 | 6 | 3 | 3 | 4 | 5 |
| Peter Bilbe | 8 | 8 | 3 | 3 | 6 | 6 | 3 | 3 | 5 | 5 |
| Peter Bradford | 8 | 8 | ** | ** | ** | ** | 3 | 3 | 5 | 5 |
| Peter Buck | 8 | 8 | 3 | 3 | 6 | 6 | 3 | 3 | 5 | 5 |
| Geoffrey Clifford | 7 | 8 | 2 | 3 | 5 | 6 | 2 | 3 | 4 | 5 |
| Keith Spence | 8 | 8 | 3 | 3 | 6 | 6 | 3 | 3 | 5 | 5 |
| Neil Warburton | 8 | 8 | 3 | 3 | ** | ** | 3 | 3 | 5 | 5 |

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year
** = Not a member of the relevant committee

## DIRECTORS INTEREST IN SHARES AND SHARE RIGHTS OF THE COMPANY

At the date of this report, the interests of the Directors in the shares, share rights and service rights of Independence Group NL were as follows:

| Name | Ordinary fully paid shares | Share rights | Service rights |
|---|---|---|---|
| Debra Bakker | 11,085 | – | – |
| Peter Bilbe | 40,000 | – | – |
| Peter Bradford | 940,000 | 401,667 | 49,858 |
| Peter Buck | 22,200 | – | – |
| Geoffrey Clifford | 15,000 | – | – |
| Keith Spence | 22,125 | – | – |
| Neil Warburton | 106,034 | – | – |
| Total | 1,156,444 | 401,667 | 49,858 |

# LETTER FROM CHAIR OF PEOPLE & PERFORMANCE COMMITTEE

## DEAR SHAREHOLDER

On behalf of the People & Performance Committee, I am pleased to share with you our FY18 Remuneration Report.

During 2018, we have seen upward pressure on remuneration, as the resource sector's activities and competition for skilled people have increased. Consistent with IGO's Total Rewards Philosophy, which is in its second year since implementation, the Company's remuneration response has been holistic, considering not only salary but also issues such as work/life balance and opportunity for development. Many improvements have been achieved, such as more flexible work options, broadening of the Company's equity offering to all employees, introducing a paid parental leave program, improving operational rosters and strengthening and extending the Company wide investment in learning, development and training.

This year, changes have also been made to the Remuneration Report in order to enhance the visibility of the connection between Executive remuneration and the creation of shareholder value.

### SHORT TERM INCENTIVE FOR FY18

This was a significant year for IGO with the first full year of production at Nova, the transition of the Long Operation into care and maintenance and the expansion of the Company's footprint and activities in the Fraser Range and Northern Territory. A demanding set of Short Term Incentive performance measures were set by the Board to reflect this as follows:

1. Production and Financial – delivering strong capital expenditure, operating expenditure and production performance from the Company's operated assets, particularly at Nova in its first full year of production.
2. Reserves Growth – growing the Company's reserves base (excluding Tropicana) net of depletion due to mining. This is a relevant measure, given the significant tonnes extracted from Nova.
3. Growth – delivering a suite of strategic growth initiatives that support the Company's overall strategy. As with the Reserves Growth metric, this is important to growing shareholder value.
4. People and Culture – improvement across a suite of objectives that create a motivated and highly-engaged workforce. This includes specific targets for increasing diversity and shaping culture.
5. Health, Safety and Environmental performance – delivering sustained, improved HS&E performance across all facets of the business. This metric goes directly to efficiently and effectively managing the risks inherent in all the Company's operations.

Further details on how the above performance measures were delivered as well as details of the long-term incentive program can be found in the Remuneration Report.

### EXECUTIVE REMUNERATION AND REWARD REVIEW

In FY19, a significant review is planned of both the fixed and "at risk" remuneration structures in preparation for the next three-year cycle. The goal is to ensure that the Company remains a competitive employer of choice, where Executive remuneration remains closely linked to a common effort that drives our achievement of strategic objectives and maximises the alignment of remuneration with the interests of shareholders for the period.

I trust that shareholders will find the 2018 report clearly explains our current remuneration philosophy and Executive outcomes for the period and welcome your feedback in our endeavour to provide ongoing clarity and transparency.

**KEITH SPENCE**
CHAIR – PEOPLE & PERFORMANCE COMMITTEE

# REMUNERATION REPORT (AUDITED)

The Remuneration Report for the year ended 30 June 2018 outlines the Director and Executive remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* and its regulations.

Key Management Personnel (KMP) of the Group (also referred to as Executive Management) are detailed in the table below and are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director, whether executive or otherwise of the Company.

| | |
|---|---|
| SECTION 1<br>**FY18 OVERVIEW** | Details organisational developments and outcomes for FY18. |
| SECTION 2<br>**REMUNERATION AT IGO** | Provides an overview of key elements of the Company's remuneration governance and philosophy. |
| SECTION 3<br>**EXECUTIVE REMUNERATION IN FY18** | Details remuneration arrangements in FY18 for the following executives:<br>**Keith Ashby** – Head of SHEQ & Risk<br>**Peter Bradford** – Managing Director and CEO<br>**Matt Dusci** – Chief Operating Officer<br>**Andrew Eddowes** – Head of Corporate Development<br>**Sam Retallack** – Head of People & Culture<br>**Ian Sandl** – General Manager Exploration<br>**Scott Steinkrug** – Chief Financial Officer |
| SECTION 4<br>**NON-EXECUTIVE DIRECTOR REMUNERATION** | Details remuneration and benefits for the Company's Non-executive directors (see pages 30 to 31 for details about each Director) including:<br>**Peter Bilbe** – Non-executive Chairman<br>**Debra Bakker** – Non-executive Director<br>**Peter Buck** – Non-executive Director<br>**Geoffrey Clifford** – Non-executive Director<br>**Keith Spence** – Non-executive Director<br>**Neil Warburton** – Non-executive Director |
| SECTION 5<br>**PLANNED REMUNERATION CHANGES** | Provides an overview of the planned changes in remuneration and reward in FY19 for the Executives and the wider organisation. |
| SECTION 6<br>**STATUTORY REMUNERATION DISCLOSURES** | Provides an update for all relevant statutory remuneration disclosures as required by the *Corporations Act 2001*. |

# SECTION 1.
# 2018 OVERVIEW AND DEVELOPMENTS

FY18 has been an important year for the Company with the first full year of production at Nova, the divestment of Stockman and Jaguar, the transition of the Long Operation into care and maintenance and the expansion of our footprint and activities in the Fraser Range and Northern Territory.

The achievement of these results has required a significant investment in our people, to build the capability of our teams and to invest in additional individual capacity across the business.

FY18 was also the second full year since the implementation of the Company's Total Rewards Philosophy. This philosophy recognises that remuneration and reward is not just about the payment of salary, rather a view of benefits that reward and develop our people to create a holistic value proposition. A competitive Employee Value Proposition (EVP) is a growing point of difference for employee attraction and retention. Although remuneration is an important component of the EVP, trending suggests work/life balance and opportunity for development is higher on the list of multi-generational workforces.

To this end, along with Company-wide salary benchmarking and the award of a group wide CPI increment (or consideration of) for all roles, the following initiatives were implemented for all employees in FY18:

- Improved flexible work options to recognise the importance that the ability to successfully blend work and family commitments has on employee engagement;
- Broadening of the Company's equity offering to all employees with the implementation of a salary sacrifice share plan, including a Company sponsored contribution of up to $2,500 to encourage all employees to share in ownership of the Company and the connection that drives;
- Introduction of a Paid Parental Leave program to increase engagement, retention and to facilitate the combination of work and family responsibilities;
- Further consultative work on operational rosters to ensure the Company maximises operational productivity and individual employee flexibility; and
- Strengthening and extending of the Company-wide investment in learning, development and training.

At a Board and Executive level, the following changes were made:

- the Chief Growth Officer was appointed as Chief Operating Officer effective 1 February 2018;
- Andrew Eddowes, Head of Corporate Development and Ian Sandl, General Manager Exploration, were appointed to the Executive Committee effective 1 February 2018;
- increases in total fixed remuneration (TFR) for KMPs in line with market benchmarking to ensure that Executive fixed remuneration remained competitive within the comparator and broader industry groups for similar roles; and
- an increase in LTI award for the Managing Director from 70% to 110%. Similarly, for the Chief Operating Officer and Chief Financial Officer roles, the LTI component was increased from 40% to 80% of TFR.

No changes were made to:

- the TFR of the Managing Director;
- Chairman and Non-executive director remuneration (for the third year in a row); and
- the STI component of KMP remuneration.

# SECTION 2.
# REMUNERATION AT IGO

## 2.1 REMUNERATION GOVERNANCE OVERVIEW

The Board recognises that the success of the business depends upon the quality and engagement of its people. To ensure the Company continues to succeed and grow, it must attract, motivate and retain highly skilled Directors, Executives and employees and as such has an active People & Performance Committee to ensure that people and performance are a priority.

The Committee, chaired by Keith Spence, held three meetings during FY18. Ms Bakker and Messrs Bilbe, Buck, Clifford, and Warburton are also Committee members. The Managing Director was invited to attend all meetings which consider the remuneration strategy of the Group and recommendations in relation to Executives. The structure of the relationship between the Board, Committee and remuneration principles is explained in the following table.

### BOARD

The Board delegates responsibility in relation to remuneration to the People & Performance Committee (Committee) which operates in accordance with the Company's People & Performance Committee Charter and the requirements of the *Corporations Act 2001* and its regulations.

### PEOPLE & PERFORMANCE COMMITTEE

The Committee is made up entirely of non-executive directors, the majority of whom are independent. The Committee is charged with assisting the Board by reviewing, on an annual basis, and making appropriate recommendations on the following:

- the Company's remuneration policy and structure, to ensure that it remains aligned to business needs and meets the Company's remuneration principles;
- Executive remuneration policy for KMP;
- equity based remuneration plans for KMP and other employees;
- diversity and culture strategy, policy, practices and performance;
- superannuation arrangements for the organisation; and
- remuneration equity for all employees across the company.

### IGO REMUNERATION PRINCIPLES

**Remuneration policy** is transparent with information communicated to all employees to create a high level of understanding of the link between pay, performance and delivery against Company objectives and values.

**"At Risk" components** are designed to motivate and incentivise for high performance and are aligned with the Company's strategic and business objectives to create short and long-term shareholder value.

**Learning and development** is a quantifiable and essential component of all roles.

**Career planning** is a valued component of the total reward philosophy and forms part of all development plans.

**Work/life programs** aim to provide balance and additional value for people at all levels of the organisation.

**Equity** in the business is important for all employees and prioritised when setting and reviewing remuneration policy and practice.

### EXTERNAL ADVICE AND BENCHMARKING

The Committee undertakes a broad review of data derived from remuneration consultants who track industry levels to ensure it is fully informed when making remuneration decisions.

During the year ended 30 June 2018, no remuneration recommendations, as defined by the *Corporations Act 2001*, were provided by remuneration consultants. However, the Committee did utilise data provided by AON Hewitt McDonald ($5,533), Mercer Consulting ($5,050) and BDO Reward (WA) Pty Limited ($795) regarding salaries and benefits across the organisation.

Further information on the Committee's role, responsibilities and membership can be found at **www.igo.com.au**.

# SECTION 3.
# KMP REMUNERATION

## COMPONENTS OF EXECUTIVE REMUNERATION AT IGO

Executive remuneration at IGO is comprised of fixed and at risk components, as an integrated package, the purpose of which is to align executive reward with shareholder outcomes, executive performance and the retention of key talent. TFR and at risk remuneration is benchmarked annually by the People & Performance Committee.

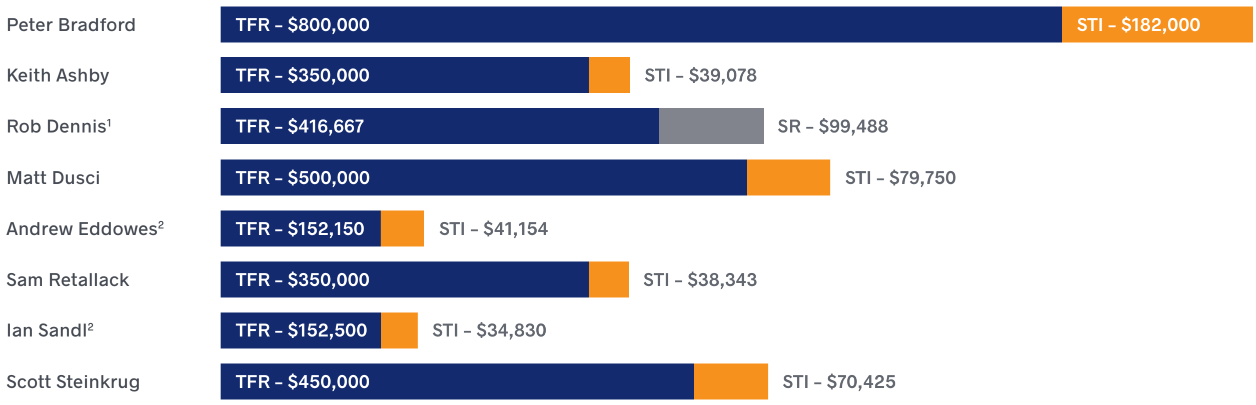
The table below provides an overview of the different remuneration components within the IGO framework.

| | | Performance related remuneration (at risk) | |
|---|---|---|---|
| **OBJECTIVE** | **Attract and retain the best talent** | **Reward current year performance** | **Reward long-term sustainable performance** |
| **REMUNERATION COMPONENT** | **Total Fixed Remuneration (TFR) – includes salary and superannuation** | **Short-term incentive (STI) – paid as cash and service rights** | **Long-term incentive (LTI) – paid as performance rights** |
| **PURPOSE** | TFR provides competitive 'guaranteed' remuneration with reference to;<br>• size and complexity of the role<br>• individual responsibilities and performance; and<br>• experience and skills | The STI ensures appropriate differentiation of pay for performance, for achievement of a combination of Company and Individual KPIs to drive achievement of near-term strategic objectives and retention. | The LTI is focused on the achievement of mid to long-term shareholder return through the Company's long-term strategic objectives and retention. |

## TOTAL REALISED EARNINGS FOR KMP IN FY18

The following pages provide detail of the actual remuneration earned during FY18 for KMP. Amounts include:

- Total fixed remuneration received;
- The cash component of the STI earned as a result of business and individual performance for FY18;
- Ordinary shares received as a component of the STI service rights that vested during the year; and
- Performance Rights that vested during the year.



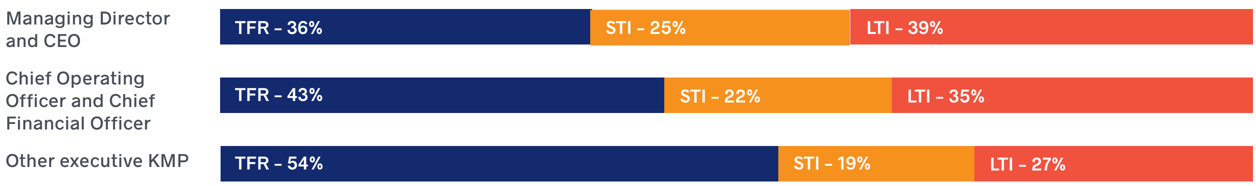

1. Mr. Dennis resigned from the Company effective 30 April 2018. The Board approved the vesting of his service rights, these were issued on 18 May 2018 at a market price of $4.85.
2. Mr. Eddowes and Mr. Sandl were appointed to the Executive Committee on 1 February 2018. Realised earnings include amounts from that date.

## KMP AT RISK REMUNERATION IN FY18

The Company believes that at risk components are important elements of remuneration for all employees in the business to drive the achievement of key strategic initiatives and maintain alignment between employees and creation of sustainable shareholder value.

The mix of fixed and at risk remuneration varies depending on the role and reward grading of Executives. It also depends on the performance of both the Company and the individual.

The following is an overview of the total mix of fixed and at risk remuneration for Executive KMP in FY18:




## CLAWBACK PROVISION

In FY17, IGO introduced a clawback provision for any unvested STI and LTI awards in the case of fraud, dishonesty, gross misconduct or a material misstatement of the financial statements and subject to Board discretion.

## IGO STIP OUTLINE

An outline of the key elements of the Short Term Incentive Program (STIP) as it relates to the Company's KMP is provided below:

| | |
|---|---|
| **STIP OPPORTUNITY** | The STIP opportunity offered to each Executive as a percentage of TFR is defined by the individual's role and reward grade. The STIP opportunity is market benchmarked and reviewed by the Board annually.<br>STIP payments are awarded 50% cash and 50% equity (service rights) on above threshold performance against a range of business objectives Company KPI and individual performance objectives Individual KPI. |
| **PERFORMANCE TARGETS** | The payment of a short-term incentive to KMP is an at risk component of the individual's total remuneration given that a set of performance targets must be met prior to payment. These targets are based on metrics that are measurable, transparent and achievable, designed to motivate and incentivise the recipient to achieve high performance aligned with Company objectives and near-term shareholder value creation. |
| **PERFORMANCE ASSESSMENT** | The Company employs a system of continuous performance feedback to drive performance throughout the year, however a final performance assessment occurs annually following the completion of the financial year for each Executive. Executives are assessed on their contribution to the achievement of Company KPIs (80%), individual KPIs (20%) and their demonstrated support for the Company's values. |
| **MEASUREMENT PERIOD** | The STIP program is an annual program and operates from 1 July to 30 June each year. |
| **STIP DEFERRAL COMPONENT** | The service rights component of the STI vest in two tranches, with the first tranche of 50% vesting on the 12 month anniversary of the STI award date, and the second tranche of 50% on the 24 month anniversary of the STI award date.<br>Vesting of the service rights component of the STI granted to Executive KMP is based on a continuous service condition being met and is designed to act as a driver of retention and medium-term value creation. |
| **CESSATION OF EMPLOYMENT** | In the event that the Executive's employment with IGO terminates prior to the vesting of all service rights, outstanding unvested rights will be reviewed by the Board and may or may not vest depending on the circumstances of the Executive's cessation of employment. |
| **BOARD DISCRETION** | The payments of all STIs are subject to Board approval. The Board has the discretion to adjust remuneration outcomes higher or lower to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any STI payment. |

## HOW PERFORMANCE WAS LINKED TO STIP OUTCOMES IN FY18

As part of the annual business planning process the Board determines the KPIs to reflect targets for the key strategic drivers of the business for the following year. The KPIs and performance achieved against them for FY18 are listed in the table below:

| Key Result Area | FY18 KRA Measure | Rationale for inclusion | Opportunity % | Achievement and commentary |
|---|---|---|---|---|
| **PRODUCTION AND FINANCIAL** | Achieve consolidated capex, operating, expenditure and production stretch targets for Nova, Jaguar and Long. | Delivering strong production and financial performance is a key enabler to funding the achievement of the Company's strategic plan. | 48% | 26.4%<br>Cost targets partially achieved, Long production achieved and Nova & Jaguar production targets not achieved. |
| **RESERVES** | Deliver year-on-year improvement on a 'like for like' basis in Group Reserves (excluding Tropicana) by nominated amount net of depletion. | Identifies the Company's performance in achieving the organic growth of current assets. | 8% | 0%<br>KPI not achieved as reserves decreased. |
| **GROWTH** | Complete nominated number of agreed strategic priorities. | Outlines performance achieved to deliver a suite of strategic initiatives, brownfields/ greenfields opportunities and M&A projects important to growing shareholder value. | 16% | 16%*<br>Successful completion of Stockman & Jaguar divestments and delivery of additional belt-scale exploration tenure. |
| **PEOPLE AND CULTURE** | Deliver year-on-year improvement in an agreed range of people, engagement and diversity metrics including turnover, gender balance, Aboriginal employment, employee availability and engagement. | Focuses achievement on key strategic people enablers. | 4% | 1.6%<br>Targets for the reduction in turnover and engagement score improvement missed targeted levels. Good progress made on employee availability. |

| | | | | |
|---|---|---|---|---|
| **HSE** | Deliver a year-on-year weighted average improvement in an agreed range of HS&E performance, on a range of backward and forward-looking measures, including risk assessments, visual safety leadership interactions, introduction of health and wellness strategy and environmental standards. | Highlights performance on metrics that go directly and indirectly to efficiently and effectively managing the risks inherent in the Company's operations. | 4% | 2.4%<br>Good progress made with the Visual Safety Leadership program . |
| **INDIVIDUAL KPI'S/PERSONAL PERFORMANCE** | Assessed for each individual and designed to more specifically focus individual Executives on key performance elements that align to the Company's strategic plan and profitability drivers that are within the Executive's control. | Assessed for each individual relative to 5-10 KPI's. | 20% | 16-19% |

*Due to the sensitive nature of some corporate KPIs the full detail on measures and achievement is confidential.

## GATING RELATING TO PAYMENT OF STI'S FOR FY18

### COMPANY SCORECARD GATING

- No production and financial component in the event of Company NPAT being negative before abnormals;
- No reserves or growth component in the event of a material downward restatement of the previous year's Reserves; and
- No people or HSE component in the event of a fatality, permanent disabling injury or material environmental breach.

### INDIVIDUAL KPI GATING

No individual component in the event of a material breach of the Company's Code of Conduct by the individual.

## FY18 STIP OUTCOMES

| Name | Position | FY18 Potential STI %[1] | FY18 Declared $[2] | FY17 Potential STI % | FY17 Awarded $[3] |
|---|---|---|---|---|---|
| Peter Bradford | Managing Director | 70 | 364,000 | 70 | 350,000 |
| Keith Ashby | Head of SHEQ and Risk | 35 | 78,155 | 35 | 74,000 |
| Rob Dennis | Chief Transformation Officer | 50 | – | 50 | 144,000 |
| Matt Dusci | Chief Operating Officer | 65 | 159,500 | 50 | 200,000[4] |
| Andrew Eddowes[5] | Head of Corporate Development | 35 | 82,307 | – | – |
| Sam Retallack | Head of People and Culture | 35 | 76,685 | 35 | 74,000 |
| Ian Sandl[6] | General Manager Exploration | 35 | 69,659 | – | – |
| Scott Steinkrug | Chief Financial Officer | 50 | 140,850 | 50 | 132,000 |

1. % of TFR.
2. To be paid in September 2018 – 50% in cash and 50% in service rights (vesting in equal parts in September 2019 and September 2020).
3. Awarded in September 2017 – 50% in cash and 50% in service rights (vesting in equal parts in September 2018 and September 2019).
4. Amount includes FY17 STI of $139,000 plus an additional special bonus of $61,000 for extraordinary contribution on special projects during the year.
5. Mr. Eddowes was appointed to the Executive Committee effective 1 February 2018.
6. Mr. Sandl commenced employment with the Company on 4 September 2017 and his FY18 STI is a pro-rata entitlement.

## IGO LTIP OUTLINE

An outline of the key elements of the Company's Long-Term Incentive Program (LTIP), as it relates to the Company's KMP, is provided below:

| | |
|---|---|
| **LTIP OPPORTUNITY** | The LTIP opportunity is determined by the Executive's role within the business and is awarded by the offer of a number of performance rights based on a percentage of TFR. The LTIP opportunity for each individual KMP is outlined on page 57. |
| **PERFORMANCE HURDLES** | For performance rights issued in FY17 there was one performance hurdle, relative total shareholder return (TSR).<br>In FY18 and going forward, the Company introduced the use of two equally weighted performance hurdles utilising the following measures:<br>1. relative TSR; and<br>2. absolute TSR. |
| **VESTING OF PERFORMANCE RIGHTS** | Vesting of the performance rights granted to Executive KMP is based on a continuous service condition and performance conditions as detailed below. |
| **SERVICE CONDITIONS** | Performance rights are subject to a service condition. This condition is met if the KMP's employment with IGO is continuous for three years commencing on or around the grant date and is aimed at the retention of key personnel. |
| **PERFORMANCE CONDITIONS** | **Relative TSR**<br>The TSR scorecard for the three year measurement period is determined based on a percentile ranking of the Company's TSR results relative to the TSR of each of the companies in the peer group over the same three year measurement period.<br>The Board considers that relative TSR is an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is linked to the comparative return received by shareholders from holding shares in a company in the peer group for the same period.<br>**Absolute TSR**<br>The increase in the Company's absolute TSR will be measured over a three year period.<br>The Board considers that absolute TSR is an appropriate performance hurdle because it ensures KMP performance is rewarded when a year-on-year improvement in shareholder value is achieved. |
| **VESTING SCHEDULE** | **Relative TSR**<br>The vesting schedule of the performance rights subject to relative TSR testing is as follows: |

| Relative TSR performance | Level of vesting |
|---|---|
| Less than 50th percentile | Zero |
| Between 50th and 75th percentile | Pro-rata straight line percentage between 50% and 100% |
| 75th percentile or better | 100% |

**Absolute TSR**
The vesting schedule of the performance rights subject to absolute TSR testing is as follows:

| Absolute TSR performance | % of Performance Rights that will vest |
|---|---|
| 10% per annum return | 33% |
| Above 10% per annum and below 20% per annum return | Straight line pro-rata between 33% and 100% |
| Above 20% per annum return | 100% |

| | |
|---|---|
| **MEASUREMENT PERIOD** | Testing occurs three years from 1 July of the relevant financial year. |
| **CESSATION OF EMPLOYMENT** | In the event that the KMP's employment with IGO terminates prior to the vesting of all performance rights, outstanding unvested rights will be reviewed by the Board and may or may not vest depending on the circumstances of the cessation of employment. |
| **BOARD DISCRETION** | The Board has absolute discretion to adjust the LTI vesting if, on assessment, absolute TSR is negative over the performance period. |
| **PEER GROUP** | The Company's TSR performance for performance rights issued during FY18 will be assessed against a peer group comprised of members of the S&P ASX 300 Metals and Mining Index. |
| **LTI - NON-EXECUTIVE DIRECTORS** | The overarching Employee Incentive Plan permits non-executive directors to be eligible employees and therefore to participate in the plan. It is not currently intended that non-executive directors will be issued with share rights under the Employee Incentive Plan and any such issue would be subject to all necessary shareholder approvals. |

## FY18 LTIP OUTCOMES

| Name | Position | Number of share rights issued in FY18 period[1] | Number of share rights issued in FY17 period[2] |
|---|---|---|---|
| Peter Bradford | Managing Director | 266,667[3] | 135,000 |
| Keith Ashby | Head of SHEQ and Risk | 53,031 | 17,000 |
| Rob Dennis | Chief Transformation Officer | 121,213 | 49,000 |
| Matt Dusci | Chief Operating Officer | 121,213 | 41,000 |
| Andrew Eddowes[5] | Head of Corporate Development | 22,131 | – |
| Sam Retallack | Head of People and Culture | 53,031 | 17,000 |
| Ian Sandl[5] | General Manager Exploration | 22,182 | – |
| Scott Steinkrug | Chief Financial Officer | 109,091 | 41,000 |

1. Share rights awarded at 20 day VWAP to 25 August 2017 of $3.30.
2. Share rights awarded at 20 day VWAP to 26 August 2016 of $4.15.
3. Approved by shareholders at the 2017 Annual General Meeting.
4. Following Mr. Dennis' resignation on 30 April 2018, 93,196 share rights issued during FY18 and 19,063 share rights issued during FY17 were subsequently cancelled.
5. Mr. Eddowes and Mr. Sandl were appointed to the Executive Committee effective 1 February 2018. Share rights reflect total number issued for FY18.

## APPROVED BY SHAREHOLDERS AT THE 2016 ANNUAL GENERAL MEETING

The Independence Group NL Employee Incentive Plan (EIP) was approved by shareholders at the Annual General Meeting in November 2016.

The number of eligible equity products able to be issued under the EIP is limited to 5% of the issued capital of the Company. The 5% limit includes grants under all plans made in the previous three years (with certain exclusions under the *Corporations Act 2001*). At the end of FY18 this percentage stands at 0.74%. There are no voting or dividend rights attached to the share rights.

# SECTION 4.
# NON-EXECUTIVE DIRECTOR REMUNERATION

The remuneration of Non-executive Directors is determined by the Board within the maximum amount approved by shareholders in general meeting. Non-executive Directors are not entitled to retirement benefits other than statutory superannuation or other statutory required benefits. Non-executive Directors do not participate in share or bonus schemes designed for Executive Directors or employees.

## TOTAL REALISED EARNINGS

| Name | Year | Cash fees $ | Superannuation $ | Total $ |
|---|---|---|---|---|
| **Debra Bakker**[1] | **2018** | **115,297** | **10,953** | **126,250** |
| | 2017 | 59,776 | 5,679 | 65,455 |
| **Peter Bilbe** | **2018** | **215,373** | **20,460** | **235,833** |
| | 2017 | 219,178 | 20,822 | 240,000 |
| **Peter Buck** | **2018** | **123,288** | **11,712** | **135,000** |
| | 2017 | 123,288 | 11,712 | 135,000 |
| **Geoffrey Clifford** | **2018** | **121,385** | **11,532** | **132,917** |
| | 2017 | 123,288 | 11,712 | 135,000 |
| **Keith Spence** | **2018** | **123,288** | **11,712** | **135,000** |
| | 2017 | 123,288 | 11,712 | 135,000 |
| **Neil Warburton** | **2018** | **109,589** | **10,411** | **120,000** |
| | 2017 | 109,589 | 10,411 | 120,000 |
| **Total non-executive director remuneration** | **2018** | **808,220** | **76,780** | **885,000** |
| | 2017 | 758,407 | 72,048 | 830,455 |

1. Ms. Bakker was appointed a Non-executive Director effective 14 December 2016.

The remuneration of Non-executive Directors is fixed to encourage impartiality, high ethical standards and independence on the Board. The available Non-executive Directors' fees pool is $1,500,000 which was approved by shareholders at the Annual General Meeting on 16 December 2015, of which $885,000 was being utilised at 30 June 2018 (2017: $885,000).

Non-executive Directors may provide additional consulting services to the Group, at a rate approved by the Board. No such amounts were paid to Directors during the current year.

The Board resolved, for a third consecutive year, not to increase Non-executive Directors' fees. There was market evidence to support an increase to the remuneration for the Chairman for FY19, however the Board resolved not to make any adjustment to the Chairman's remuneration for FY19

Details of Non-executive Director fees are as follows:

| | Approved 2019 | 30 June 2018 | 30 June 2017 |
|---|---|---|---|
| **Non Executive Director base fees** | | | |
| Board Chairman | 230,000 | 230,000 | 230,000 |
| Board Member | 120,000 | 120,000 | 120,000 |
| **Board Member Committee Fees** | | | |
| Chair Audit Committee | 15,000 | 15,000 | 15,000 |
| Chair Remuneration Committee | 15,000 | 15,000 | 15,000 |
| Chair Sustainability and Risk Committee | 15,000 | 15,000 | 15,000 |
| Chair Nomination Committee | 10,000 | 10,000 | 10,000 |
| Committee Members | Nil | Nil | Nil |

# SECTION 5.
# PLANNED CHANGES FOR FY19

The Board and Executive team appreciate the importance of competitive remuneration in a market where the competition for talent in FY19 is anticipated to continue to increase for a number of key roles. The Company also acknowledges the competition for talent at graduate level, particularly for mining engineering and geology students, and will continue to promote and support graduate development in FY19 to build the talent pipeline for IGO and the industry more broadly.

Looking forward, automation and digital technology will change the way talent is recruited and managed within the business, requiring changes to attraction and retention strategies and the redesign of work and development activities for our people at a local and global level.

The Company reviews all remuneration practices annually. As a result of the review conducted in FY18, a number of changes will be implemented for FY19, with effect from 1 July 2018.

Completed changes and/or progress towards remuneration objectives will be reported in more detail in the 2019 Remuneration Report, however a summary of the key elements of the proposed FY19 program are provided below:

| | |
|---|---|
| **GROUP-WIDE REMUNERATION** | • review of group-wide remuneration benchmarking and award of a group-wide CPI increment (or consideration of) for all roles was awarded in August 2018;<br>• no group-wide change in STI or LTI programs or opportunities for FY19;<br>• a continued focus on operational rosters to ensure the Company maximises operational productivity while focused on individually flexible work options;<br>• continued strengthening and extension of the Company-wide investment in learning, development and training; and<br>• the introduction of a new program to focus on current and future financial wellness for employees. |
| **KMP TFR** | • the TFR for Managing Director will be increased by 7.5% from \$800,000 to \$860,000 to reflect market movement in comparator CEO fixed remuneration;<br>• the TFR for the COO will increase from \$500,000 to \$530,000; and<br>• other increases in TFR for Executive KMPs in line with market benchmarking and are structured to ensure that Executive fixed remuneration remains competitive within the comparator and broader industry groups for similar roles (see page 57). |
| **SHORT TERM INCENTIVE** | • there will be no change to STI levels (see page 57) other than those individuals who have become KMP in FY18. |
| **LONG TERM INCENTIVE** | • minor increases in LTI levels for KMP (see page 57) will be actioned for FY19 to achieve better market competitiveness and an improved connection between long-term value creation and weighting of at-risk reward in favour of LTI for the Executive team. |
| **REVIEW OF INCENTIVE ARRANGEMENTS AND COMPARATOR GROUP** | Following the completion of the three-year cycle since the implementation of the Company's current Total Rewards Program, a comprehensive review of the Company's at risk remuneration structure and comparator group is planned for FY19 to inform any changes made to the remuneration structure going forward from FY20. |

The following table reflects remuneration changes available to Executives for FY19 effective 1 July 2018:

| Name | Position | TFR FY19 | | | TFR FY18 | | |
|---|---|---|---|---|---|---|---|
| | | TFR $ | STI % | LTI % | TFR $ | STI % | LTI % |
| Peter Bradford | Managing Director | 860,000 | 70 | 110 | 800,000 | 70 | 110 |
| Keith Ashby | Head of SHEQ and Risk | 360,000 | 35 | 55 | 350,000 | 35 | 50 |
| Matt Dusci | Chief Operating Officer | 530,000 | 50 | 90 | 500,000 | 50 | 80 |
| Andrew Eddowes | Head of Corporate Development | 370,000 | 35 | 55 | 365,160 | 35 | 20 |
| Sam Retallack | Head of People & Culture | 360,000 | 35 | 55 | 350,000 | 35 | 50 |
| Ian Sandl | General Manager Exploration | 370,000 | 35 | 55 | 366,000 | 35 | 20 |
| Scott Steinkrug | Chief Financial Officer | 450,000 | 50 | 80 | 450,000 | 50 | 80 |

## COMPANY PERFORMANCE

A key and continued focus for the Board and Company is to align Executive remuneration to the achievement of strategic and business objectives of the Group and the creation of shareholder value. The table below illustrates a summary of the Group's financial performance over the last five years as required by the *Corporations Act 2001*.

| | **2018** | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Revenue ($ millions) | **777.9** | 421.9 | 413.2 | 495.3 | 399.1 |
| Profit (loss) for the year attributable to owners ($ milions) | **52.7** | 17.0 | (58.8) | 76.8 | 48.6 |
| Dividend payments (cents per share) | **2.0** | 3.0 | 2.5 | 11.0 | 7.0 |
| Share price at year end ($ per share) | **4.17** | 3.15 | 3.28 | 4.17 | 4.35 |

# SECTION 6.
# STATUTORY REMUNERATION DISCLOSURES

## EXECUTIVE CONTRACTS

Remuneration and other terms of employment for the Executives are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Participation in the STI and LTI plans is subject to the Board's discretion. Other major provisions of the agreements relating to remuneration are set out below.

| Name | Position | Term of agreement | TFR at 1 July 2018 $ Value | Notice period | Termination Benefit |
|---|---|---|---|---|---|
| Peter Bradford | Managing Director/CEO | No fixed term | 860,000 | 6 months | 6 months[1] |
| Keith Ashby | Head of Governance and Risk | No fixed term | 360,000 | 3 months | 6 months |
| Matt Dusci | Chief Operating Officer | No fixed term | 530,000 | 3 months | 6 months |
| Andrew Eddowes | Head of Corporate Development | No fixed term | 370,000 | 3 months | 6 months |
| Sam Retallack | Head of People and Culture | No fixed term | 360,000 | 3 months | 6 months |
| Ian Sandl | General Manager Exploration | No fixed term | 370,000 | 3 months | 6 months |
| Scott Steinkrug | Chief Financial Officer | No fixed term | 450,000 | 3 months | 6 months |

1. In addition to the above, Mr. Bradford is entitled to a maximum termination benefit payable of up to 12 months of average annual base salary should the Company terminate the employment contract without cause, but only if such payment would not breach ASX Listing Rules. A termination benefit of three months remuneration is payable to Mr. Bradford should the Company terminate the employment contract due to illness, injury or incapacity.

### (I) REMUNERATION EXPENSES FOR EXECUTIVE KMP

The following table shows the value of earnings realised by executive KMP during FY18. The cash value of earnings realised includes cash salary, superannuation and cash bonuses earned during the year and the intrinsic value of service rights and LTI vesting during the financial year.

This is in addition and different to the disclosures required by the Corporations Act and Accounting Standards, particularly in relation to share rights. As a general principle, the Accounting Standards require a value to be placed on share rights based on probabilistic calculations at the time of grant, which may be reflected in the Remuneration Report even if ultimately the share rights do not vest because performance and service hurdles are not met. By contrast, this table discloses the intrinsic value of share rights, which represents only those share rights which actually vest and result in shares issued to a KMP. The intrinsic value is the Company's closing share price on the date of vesting.

#### Remuneration earned during the period

| Name | TFR $[1] | STI Cash Component $ Value[2] | STI Vested Service Rights Component $ Value | LTI Vested Share Rights Component $ Value | Total Actual Remuneration |
|---|---|---|---|---|---|
| Peter Bradford | 800,000 | 182,000 | – | – | 982,000 |
| Keith Ashby | 350,000 | 39,078 | – | – | 389,078 |
| Rob Dennis [3] | 416,667 | – | 99,488 | | 516,155 |
| Matt Dusci | 500,000 | 79,750 | – | – | 579,750 |
| Andrew Eddowes [4] | 152,150 | 41,154 | – | – | 193,304 |
| Sam Retallack | 350,000 | 38,343 | – | – | 388,343 |
| Ian Sandl [5] | 152,500 | 34,830 | – | – | 187,330 |
| Scott Steinkrug | 450,000 | 70,425 | – | – | 520,425 |

1. Includes base salary and superannuation.
2. Represents the amounts to be paid in September 2018 for performance in FY18.
3. Mr. Dennis resigned from the Company effective 30 April 2018. The Board approved the vesting of his outstanding service rights, these were issued on 18 May 2018 at a market price of $4.85.
4. Mr. Eddowes was appointed to the Executive Committee on 1 February 2018. Realised earnings include amounts from this date.
5. Mr. Sandl commenced employment with the Company on 4 September 2017 and his STI is a pro-rata entitlement. He was appointed to the Executive Committee on 1 February 2018 and realised earnings include amounts from that date.

The following table shows details of the remuneration expense recognised for the Group's Executive management personnel for the current and previous financial year measured in accordance with the requirements of the Accounting Standards.

| Name | Year | Cash salary and fees[1] $ | Cash bonus[2] $ | Super-annuation $ | Long service leave[3] $ | Share rights[4] $ | Total $ | Performance Related % |
|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | |
| Peter Bradford | 2018 | 768,158 | 182,000 | 25,000 | 22,113 | 595,593 | 1,592,864 | 49 |
| | 2017 | 788,668 | 175,000 | 35,000 | 18,395 | 378,464 | 1,395,527 | 40 |
| **Other key management personnel** | | | | | | | | |
| Keith Ashby | 2018 | 332,682 | 39,078 | 25,000 | 8,092 | 80,028 | 484,880 | 25 |
| | 2017 | 308,520 | 37,000 | 34,180 | 4,838 | 18,105 | 402,643 | 14 |
| Rob Dennis[5] | 2018 | 406,077 | – | 20,833 | (23,779) | 209,694 | 612,825 | 34 |
| | 2017 | 499,253 | 72,000 | 35,000 | 11,060 | 69,966 | 687,279 | 21 |
| Matt Dusci | 2018 | 486,057 | 79,750 | 25,000 | 15,123 | 184,288 | 790,218 | 33 |
| | 2017 | 400,344 | 130,500 | 30,000 | 7,633 | 101,134 | 669,611 | 35 |
| Andrew Eddowes[6] | 2018 | 135,362 | 41,154 | 10,417 | 3,495 | 27,180 | 217,608 | 31 |
| | 2017 | – | – | – | – | – | – | – |
| Joanne McDonald[7] | 2017 | 262,617 | 34,247 | 27,546 | 2,625 | 12,370 | 339,405 | 14 |
| Sam Retallack | 2018 | 335,173 | 38,343 | 25,000 | 13,392 | 80,028 | 491,936 | 24 |
| | 2017 | 306,173 | 37,000 | 34,180 | 9,161 | 28,573 | 415,087 | 16 |
| Ian Sandl[8] | 2018 | 150,163 | 34,830 | 12,506 | 515 | 5,820 | 203,834 | 22 |
| | 2017 | – | – | – | – | – | – | – |
| Scott Steinkrug | 2018 | 428,457 | 70,425 | 25,000 | 23,082 | 174,412 | 721,376 | 34 |
| | 2017 | 402,699 | 66,000 | 35,000 | 16,484 | 101,134 | 621,317 | 27 |
| Total executive directors and other KMPs | 2018 | 3,042,129 | 485,580 | 168,756 | 62,033 | 1,357,043 | 5,115,541 | |
| | 2017 | 2,968,274 | 551,747 | 230,906 | 70,196 | 709,746 | 4,530,869 | |
| Total NED remuneration (see page 55) | 2018 | 808,220 | – | 76,780 | – | – | 885,000 | |
| | 2017 | 758,407 | – | 72,048 | – | – | 830,455 | |
| Total KMP remuneration expensed | 2018 | 3,850,349 | 485,580 | 245,536 | 62,033 | 1,357,043 | 6,000,541 | |
| | 2017 | 3,726,681 | 551,747 | 302,954 | 70,196 | 709,746 | 5,361,324 | |

1. Cash salary and fees includes movements in annual leave provision during the year.
2. Cash bonus represents bonuses that were awarded to each KMP in relation to FY18 performance and will be paid in September 2018 (2017: Related to FY17 performance and paid in September 2017). Cash bonus excludes superannuation contribution component of STI which is shown in Post-employment benefits.
3. Long service leave relates to movements in long service leave provision during the year.
4. Rights to shares granted under the EIP are expensed over the performance period, which includes the vesting period of the rights, in accordance with AASB2 *Share-based Payment*. Refer to note 26 for details of the valuation techniques used for the EIP.
5. Mr. Dennis was appointed Chief Transformation Officer on 1 February 2018, prior to that he was Chief Operating Officer. Mr. Dennis resigned effective 30 April 2018. An amount of $91,270 accrued for annual leave was paid out on termination, this amount has been offset against the movement in the provision for the 2018 financial year.
6. Mr. Eddowes was appointed to the Executive Committee on 1 February 2018. Remuneration has been included from the date of his appointment as a KMP.
7. Ms. McDonald ceased as a KMP as at 30 June 2017.
8. Mr. Sandl commenced employment with the Company on 4 September 2017 and was appointed to the Executive Committee on 1 February 2018. Remuneration has been included from the date of his appointment as a KMP and his STI is a pro-rata entitlement based on his commencement date with the Company.

## ADDITIONAL STATUTORY INFORMATION

### (II) PERFORMANCE BASED REMUNERATION GRANTED AND FORFEITED DURING THE YEAR

The table below shows for each KMP how much of their STI cash bonus was awarded and how much was forfeited. It also shows the value of share rights that were granted, vested and forfeited during FY18. The number of share rights and percentages vested/forfeited for each grant are disclosed in the table on page 61.

| | Total STI bonus (cash and service rights) | | | | LTI share rights | | |
|---|---|---|---|---|---|---|---|
| 2018 | Total opportunity $ | Awarded $ | Awarded % | Forfeited % | Value granted[1] $ | Value vested[2] $ | Value forfeited[2] $ |
| **Executive Directors** | | | | | | | |
| Peter Bradford | 560,000 | 364,000 | 65 | 35 | 837,288 | – | 497,295 |
| Keith Ashby | 122,500 | 78,155 | 64 | 36 | 121,200 | – | 23,186 |
| Rob Dennis | 250,000 | – | – | – | 64,031 | – | – |
| Matt Dusci | 250,000 | 159,500 | 64 | 36 | 277,026 | – | 127,867 |
| Andrew Eddowes | 127,806 | 82,307 | 64 | 36 | – | – | – |
| Sam Retallack | 122,500 | 76,685 | 63 | 37 | 121,200 | – | 26,701 |
| Ian Sandl[3] | 128,100 | 69,659 | 66 | 34 | – | – | – |
| Scott Steinkrug | 225,000 | 140,850 | 63 | 37 | 249,322 | – | 127,867 |

1. The value at grant date for share rights granted during the year as part of remuneration is calculated in accordance with AASB 2 *Share-based Payment*. Refer to note 26 for details of the valuation techniques used for the EIP.
2. Value of shares vested and forfeited is based on the value of the share right at grant date.
3. Pro-rata entitlements based on commencement date of 4 September 2017.

### (III) TERMS AND CONDITIONS OF THE SHARE-BASED PAYMENT ARRANGEMENTS

#### Share rights under the Company's EIP

Share rights under the Company's EIP are granted annually. The shares vest after three years from the start of the financial year. On vesting, each right automatically converts into one ordinary share. The Executives do not receive any dividends and are not entitled to vote in relation to the rights during the vesting period. If an Executive ceases employment before the rights vest, the rights will be forfeited, except in certain circumstances that are approved by the Board.

The value at grant date for share rights granted during the year as part of remuneration is calculated in accordance with AASB 2 *Share-based Payment*. Refer to note 26 for details of the valuation techniques used for the EIP.

| Grant date | Vesting date | Grant date value | Performance achieved | % Vested |
|---|---|---|---|---|
| 24 November 2017 | 1 July 2020 | $3.14 | To be determined | n/a |
| 29 September 2017 | 1 July 2020 | $2.29 | To be determined | n/a |
| 22 May 2017 | 1 July 2019 | $2.30 | To be determined | n/a |
| 24 November 2016 | 1 July 2019 | $2.26 | To be determined | n/a |
| 18 November 2016 | 1 July 2019 | $2.21 | To be determined | n/a |
| 22 January 2016 | 1 July 2018 | $1.20 | Between 50th and 75th percentile | 50.6 |
| 16 December 2015 | 1 July 2018 | $1.56 | Between 50th and 75th percentile | 50.6 |
| 9 January 2015 | 1 July 2017 | $2.55 | <50th percentile | – |
| 20 November 2014 | 1 July 2017 | $2.84 | <50th percentile | – |

1. The additional grant dates during the year are due to subsequent grants to capture new employees.

### Rights to service rights

Rights to service rights issued under the EIP are granted following the determination of the STI for the performance year. The service rights component of the STI vest in two tranches, with the first tranche of 50% vesting on the 12 month anniversary of the STI award date, and the second tranche of 50% vesting on the 24 month anniversary of the STI award date. The Executives do not receive any dividends and are not entitled to vote in relation to the rights during the vesting period. If an Executive ceases employment before the rights vest, the rights will be forfeited, except in limited circumstances that are approved by the Board on a case-by-case basis.

The fair value of the rights is determined based on the 5 day VWAP of the Company's shares after release of the IGO financial statements.

| Grant date | % Vesting | Vesting date | Grant date value |
|---|---|---|---|
| 9 October 2017 | 50% | 3 September 2018 | $3.51 |
| 9 October 2017 | 50% | 1 September 2019 | $3.51 |

## (IV) RECONCILIATION OF LTI SHARE RIGHTS, SERVICE RIGHTS AND ORDINARY SHARES HELD BY KMP

### Share rights

The table below shows the number of LTI share rights that were granted, vested and forfeited during the year.

| 2018 | | Balance at start of the year | Granted during the year | Vested during the year | | Forfeited during the year[1] | | Balance at the end of the year (unvested) | Maximum value yet to vest |
|---|---|---|---|---|---|---|---|---|---|
| Name and grant dates | Year granted | Number | Number | Number | % | Number | % | Number | $ |
| **Peter Bradford** | **2018** | **–** | **266,667** | **–** | **–** | **–** | **–** | **266,667** | **558,956** |
| | 2017 | 135,000 | – | – | – | – | – | 135,000 | 99,668 |
| | 2016 | 217,391 | – | – | – | – | – | 217,391 | – |
| | 2015 | 175,365 | – | – | – | 175,365 | 100 | – | – |
| **Keith Ashby** | **2018** | **–** | **53,031** | **–** | **–** | **–** | **–** | **53,031** | **87,116** |
| | 2017 | 17,000 | – | – | – | – | – | 17,000 | 14,715 |
| | 2016 | 19,361 | – | – | – | – | – | 19,361 | – |
| **Matt Dusci** | **2018** | **–** | **121,213** | **–** | **–** | **–** | **–** | **121,213** | **199,121** |
| | 2017 | 41,000 | – | – | – | – | – | 41,000 | 35,489 |
| | 2016 | 62,174 | – | – | – | – | – | 62,174 | – |
| | 2015 | 50,154 | – | – | – | 50,154 | 100 | – | – |
| **Rob Dennis[2]** | **2018** | **–** | **121,213** | **–** | **–** | **93,196** | **–** | **28,017** | **–** |
| | 2017 | 49,000 | – | – | – | 19,063 | – | 29,937 | – |
| | 2016 | 78,116 | – | – | – | 4,348 | – | 73,768 | – |
| **Andrew Eddowes** | **2018** | **–** | **22,131** | **–** | **–** | **–** | **–** | **22,131** | **36,355** |
| | 2017 | 16,000 | – | – | – | – | – | 16,000 | 13,849 |
| | 2016 | 19,043 | – | – | – | – | – | 19,043 | – |
| | 2015 | 15,327 | – | – | – | 15,327 | 100 | – | – |
| **Sam Retallack** | **2018** | **–** | **53,031** | **–** | **–** | **–** | **–** | **53,031** | **87,116** |
| | 2017 | 17,000 | – | – | – | – | – | 17,000 | 14,715 |
| | 2016 | 19,361 | – | – | – | – | – | 19,361 | – |
| | 2015 | 10,473 | – | – | – | 10,473 | 100 | – | – |
| **Ian Sandl** | **2018** | **–** | **22,182** | **–** | **–** | **–** | **–** | **22,182** | **36,439** |
| **Scott Steinkrug** | **2018** | **–** | **109,091** | **–** | **–** | **–** | **–** | **109,091** | **179,208** |
| | 2017 | 41,000 | – | – | – | – | – | 41,000 | 35,489 |
| | 2016 | 62,174 | – | – | – | – | – | 62,174 | – |
| | 2015 | 50,154 | – | – | – | 50,154 | 100 | – | – |

1. The Company achieved shareholder return over the 3 year period to 30 June 2017 of less than the 50th percentile of the comparator group and as such all share rights lapsed and were cancelled.
2. Following Mr. Dennis' resignation on 30 April 2018, the Board resolved to allocate the share rights previously granted to him on a period of service pro-rata basis in the relevant performance period. This resulted in the cancellation of a total of 116,607 share rights previously granted to Mr. Dennis.

Note: The relative TSR performance condition of the share rights granted in FY16 (which were due to vest on 1 July 2018) was tested post 30 June 2018, and resulted in a relative TSR performance for the period 1 July 2015 to 30 June 2018 of 50.6% and as such 50.6% of the outstanding 2015 Series Performance Rights vested and ordinary shares were issued and the remaining performance rights lapsed and were cancelled. This will be accounted for in the FY19 Remuneration Report.

### Service rights

The table below shows the number of service rights that were granted, vested and forfeited during the year.

| Name | Year granted | Balance at start of the year | Granted during the year | Vested during the year | | Forfeited during the year | | Balance at the end of the year (unvested) | Maximum value yet to vest |
|---|---|---|---|---|---|---|---|---|---|
| | | Number | Number | Number | % | Number | % | Number | $ |
| Peter Bradford | 2018 | – | 49,858 | – | – | – | – | 49,858 | 70,712 |
| Keith Ashby | 2018 | – | 10,542 | – | – | – | – | 10,542 | 14,951 |
| Matt Dusci | 2018 | – | 19,801 | – | – | – | – | 19,801 | 28,083 |
| Rob Dennis[1] | 2018 | – | 20,513 | 20,513 | 100 | – | – | – | – |
| Andrew Eddowes | 2018 | – | 14,112 | – | – | – | – | 14,112 | 20,015 |
| Sam Retallack | 2018 | – | 10,542 | – | – | – | – | 10,542 | 14,951 |
| Ian Sandl | 2018 | – | – | – | – | – | – | – | – |
| Scott Steinkrug | 2018 | – | 18,804 | – | – | – | – | 18,804 | 26,669 |

1. Following Mr. Dennis' resignation on 30 April 2018, the Board resolved to fully allocate his outstanding service rights.
2. Mr. Sandl commenced employment with the Company on 4 September 2017, therefore was not entitled to service rights relating to FY17 performance.

### Shareholdings of KMP

The number of ordinary shares in the Company held by each Director and other KMP, including their personally related entities, are set out below.

| 2018 Name | Balance at start of the year | Received on vesting of share rights | Other changes during the period[1] | Balance at the end of the year |
|---|---|---|---|---|
| **Directors** | | | | |
| Debra Bakker | 5,200 | – | 5,885 | 11,085 |
| Peter Bilbe | 32,000 | – | 8,000 | 40,000 |
| Peter Bradford | 800,000 | – | 30,000 | 830,000 |
| Peter Buck | 22,200 | – | – | 22,200 |
| Geoffrey Clifford | 10,000 | – | 5,000 | 15,000 |
| Keith Spence | 22,125 | – | – | 22,125 |
| Neil Warburton | 106,034 | – | – | 106,034 |
| **Other key management personnel** | | | | |
| Keith Ashby | – | – | – | – |
| Rob Dennis[2] | 16,644 | 20,513 | (37,157) | – |
| Matt Dusci | 9,900 | – | – | 9,900 |
| Andrew Eddowes | – | – | 101,447 | 101,447 |
| Sam Retallack | 19,865 | – | – | 19,865 |
| Ian Sandl | – | – | – | – |
| Scott Steinkrug | 78,549 | – | – | 78,549 |
| **Total** | **1,122,517** | **20,513** | **113,175** | **1,256,205** |

1. Other changes during the year include opening balances on becoming a KMP for the first time during the year.
2. Shareholdings are reversed to show a zero balance at 30 June 2018 after ceasing to be a KMP during the year.

Whilst IGO does not have a written policy stating a minimum shareholding in IGO shares for Directors, a written guideline on this subject was adopted by the Company in FY18. The guideline states, that in order to achieve a greater alignment with shareholder interests, Non-executive directors are encouraged to hold shares in the Company. IGO is committed to achieving greater diversity throughout the business and this includes the membership of the Board of Directors. To this end, the Board of Directors acknowledges that each current or future Non-executive Director may have different personal circumstances. As such, no minimum shareholding requirement has been set in order to maximise the Company's opportunity to achieve the broadest range of diversity of directors on the Board.

Accordingly, Non-executive Directors are encouraged to acquire and hold shares in IGO commensurate with their personal circumstances.

### (V) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the current financial year, there were no other transactions with key management personnel or their related parties.

### (VI) VOTING OF SHAREHOLDERS AT LAST YEAR'S ANNUAL GENERAL MEETING

Independence Group NL received more than 98% of "yes" votes on its remuneration report for the 2017 financial year. The Company sought feedback throughout the year on its remuneration practices through communications with key shareholders and proxy advisors. This feedback included advice on continuing to ensure greater transparency within the Remuneration Report and ensure remuneration across the business reflects the strategic direction of the Company. Following feedback in FY17, this year saw the Company introduce an additional performance condition for the LTIP.

**END OF AUDITED REMUNERATION REPORT**

## SHARES UNDER OPTION

At the reporting date, there were no unissued ordinary shares under options, nor were there any ordinary shares issued during the year ended 30 June 2018 on the exercise of options.

## INSURANCE OF OFFICERS AND INDEMNITIES

During the financial year, the Company paid an insurance premium in respect of a contract insuring the Directors and executive officers of the Company and of any related body corporate against a liability incurred as such a Director or executive officer to the extent permitted by the Corporations Law. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify any officer of the Company or of any related body corporate against a liability incurred by such an officer.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

The Company was not a party to any such proceedings during the year.

## NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (BDO Audit (WA) Pty Ltd) for non-audit services provided during the year are set out below.

The Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* nor the principles set out in APES110 *Code of Ethics for Professional Accountants*.

During the period the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | **2018 $** | 2017 $ |
|---|---|---|
| **Other services** | | |
| BDO Audit (WA) Pty Ltd firm: | | |
| Other services in relation to the entity and any other entity in the consolidated Group | **20,500** | 37,338 |
| | **20,500** | 37,338 |

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 64.

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporation Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.

**PETER BRADFORD**
MANAGING DIRECTOR

Perth, Western Australia
Dated this 28th day of August 2018

BDO

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF INDEPENDENCE GROUP NL

As lead auditor of Independence Group NL for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

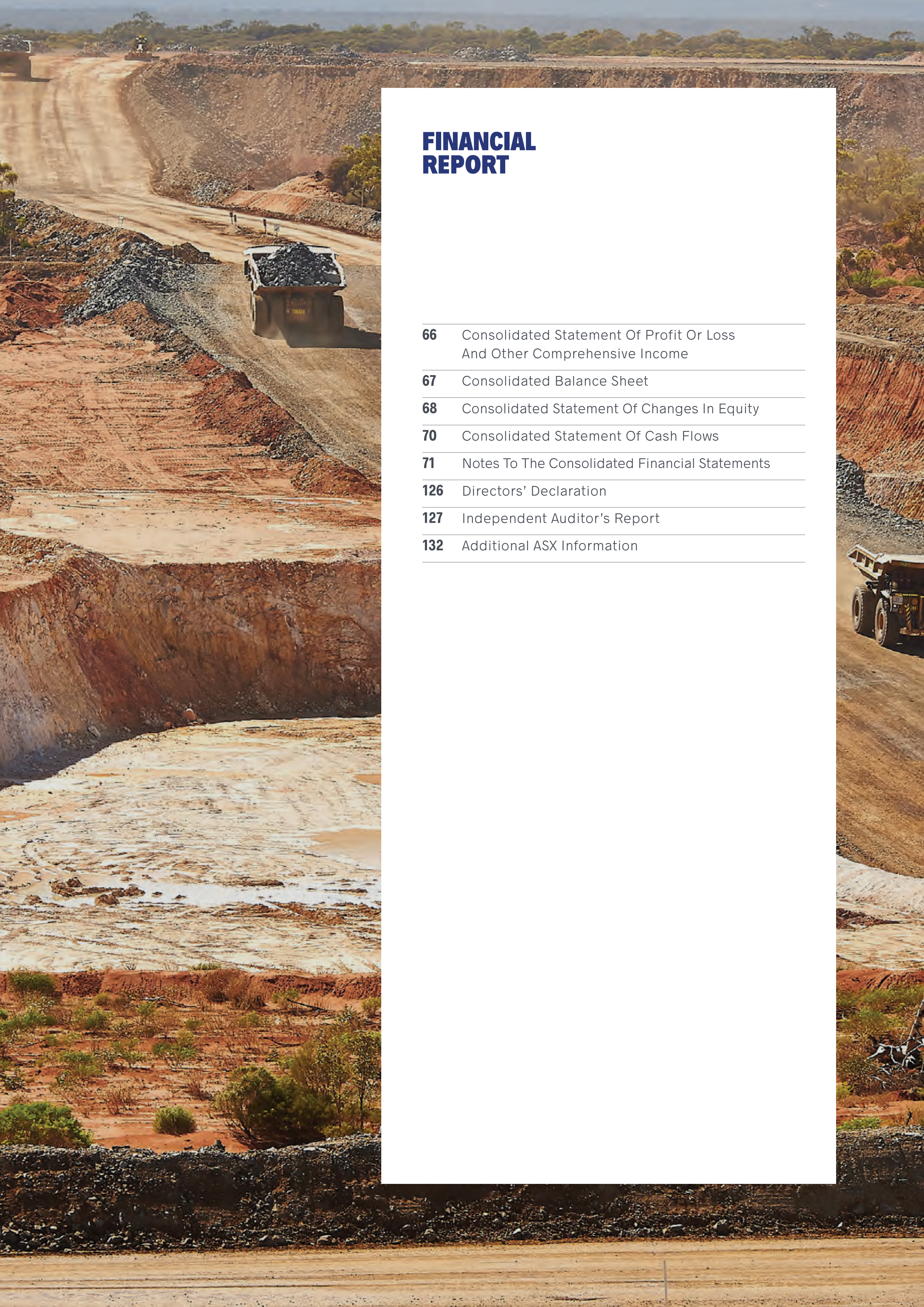
This declaration is in respect of Independence Group NL and the entities it controlled during the year.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 28 August 2018



# FINANCIAL REPORT

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | **2018 $'000** | 2017 $'000 |
|---|---|---|---|
| Revenue from continuing operations | 2 | **777,946** | 421,926 |
| Other income | 3 | **2,689** | - |
| Mining, development and processing costs | | **(241,302)** | (146,135) |
| Employee benefits expense | | **(88,795)** | (64,740) |
| Share-based payments expense | | **(3,267)** | (1,147) |
| Fair value movement of financial investments | | **231** | 4,343 |
| Depreciation and amortisation expense | | **(252,133)** | (89,773) |
| Exploration and growth costs | | **(38,926)** | (21,244) |
| Royalty expense | | **(30,489)** | (14,391) |
| Ore tolling expense | | **(8,776)** | (9,606) |
| Shipping and wharfage costs | | **(19,787)** | (12,092) |
| Borrowing and finance costs | | **(10,699)** | (1,258) |
| Impairment of exploration and evaluation expenditure | 15 | **-** | (24,891) |
| Impairment of other assets | | **-** | (135) |
| Acquisition and other integration costs | | **-** | (3,910) |
| Other expenses | | **(7,626)** | (10,530) |
| **Profit before income tax** | | **79,066** | 26,417 |
| Income tax expense | 5 | **(26,380)** | (9,406) |
| **Profit after income tax for the period** | | **52,686** | 17,011 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Effective portion of changes in fair value of cash flow hedges, net of tax | | **1,784** | 241 |
| Exchange differences on translation of foreign operations | | **42** | 4 |
| **Other comprehensive income for the period, net of tax** | | **1,826** | 245 |
| **Total comprehensive income for the period** | | **54,512** | 17,256 |
| **Profit for the period attributable to the members of Independence Group NL** | | **52,686** | 17,011 |
| **Total comprehensive income for the period attributable to the members of Independence Group NL** | | **54,512** | 17,256 |

| | | **Cents** | Cents |
|---|---|---|---|
| **Earnings per share for profit attributable to the ordinary equity holders of the Company:** | | | |
| Basic earnings per share | 6 | **8.98** | 2.93 |
| Diluted earnings per share | 6 | **8.94** | 2.92 |

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

# CONSOLIDATED BALANCE SHEET
## FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | **2018 $'000** | 2017 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | **138,688** | 35,763 |
| Trade and other receivables | 8 | **94,093** | 59,383 |
| Inventories | 9 | **82,487** | 63,158 |
| Financial assets at fair value through profit or loss | 10 | **24,294** | 15,348 |
| Derivative financial instruments | 20 | **1,990** | 657 |
| Assets classified as held for sale | 22 | **-** | 31,745 |
| **Total current assets** | | **341,552** | 206,054 |
| **Non-current assets** | | | |
| Receivables | 8 | **29,495** | 14 |
| Inventories | 9 | **33,012** | 20,077 |
| Property, plant and equipment | 13 | **35,417** | 44,922 |
| Mine properties | 14 | **1,457,688** | 1,612,919 |
| Exploration and evaluation expenditure | 15 | **70,493** | 73,068 |
| Deferred tax assets | 5 | **207,271** | 251,429 |
| **Total non-current assets** | | **1,833,376** | 2,002,429 |
| **TOTAL ASSETS** | | **2,174,928** | 2,208,483 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | **56,586** | 49,052 |
| Borrowings | 16 | **56,226** | 56,226 |
| Derivative financial instruments | 20 | **-** | 965 |
| Provisions | 12 | **4,894** | 15,259 |
| **Total current liabilities** | | **117,706** | 121,502 |
| **Non-current liabilities** | | | |
| Borrowings | 16 | **84,589** | 140,815 |
| Derivative financial instruments | 20 | **-** | 251 |
| Provisions | 12 | **62,168** | 73,228 |
| Deferred tax liabilities | 5 | **131,638** | 139,903 |
| **Total non-current liabilities** | | **278,395** | 354,197 |
| **TOTAL LIABILITIES** | | **396,101** | 475,699 |
| **NET ASSETS** | | **1,778,827** | 1,732,784 |
| **EQUITY** | | | |
| Contributed equity | 17 | **1,879,094** | 1,878,469 |
| Reserves | 18 | **14,771** | 13,445 |
| Accumulated losses | 18(c) | **(115,038)** | (159,130) |
| **TOTAL EQUITY** | | **1,778,827** | 1,732,784 |

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

| | Contributed equity $'000 | Accumulated losses $'000 | Hedging reserve $'000 | Share-based payments reserve $'000 | Acquisition reserve $'000 | Foreign currency translation reserve $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 July 2016 | 1,601,458 | (158,540) | (632) | 10,371 | 3,142 | (8) | 1,455,791 |
| Profit for the period | - | 17,011 | - | - | - | - | 17,011 |
| **Other comprehensive income** | | | | | | | |
| Currency translation differences - current period | - | - | - | - | - | 4 | 4 |
| Effective portion of changes in fair value of cash flow hedges, net of tax | - | - | 241 | - | - | - | 241 |
| **Total comprehensive income for the period** | - | 17,011 | 241 | - | - | 4 | 17,256 |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Dividends paid | - | (17,601) | - | - | - | - | (17,601) |
| Share-based payments expense | - | - | - | 1,147 | - | - | 1,147 |
| Issue of shares - Employee Incentive Plan | 820 | - | - | (820) | - | - | - |
| Shares issued on capital raising | 281,459 | - | - | - | - | - | 281,459 |
| Costs associated with capital raising (net of tax) | (5,268) | - | - | - | - | - | (5,268) |
| **Balance at 30 June 2017** | 1,878,469 | (159,130) | (391) | 10,698 | 3,142 | (4) | 1,732,784 |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2018

| | Contributed equity $'000 | Accumulated losses $'000 | Hedging reserve $'000 | Share-based payments reserve $'000 | Acquisition reserve $'000 | Foreign currency translation reserve $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 July 2017 | 1,878,469 | (159,130) | (391) | 10,698 | 3,142 | (4) | 1,732,784 |
| Profit for the period | - | 52,686 | - | - | - | - | 52,686 |
| **Other comprehensive income** | | | | | | | |
| Effective portion of changes in fair value of cash flow hedges, net of tax | - | - | 1,784 | - | - | - | 1,784 |
| Currency translation differences - current period | - | - | - | - | - | 42 | 42 |
| **Total comprehensive income for the period** | - | 52,686 | 1,784 | - | - | 42 | 54,512 |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Dividends paid | - | (11,736) | - | - | - | - | (11,736) |
| Share-based payments expense | - | - | - | 3,267 | - | - | 3,267 |
| Issue of shares - Employee Incentive Plan | 625 | - | - | (625) | - | - | - |
| Transfer acquisition reserve to accumulated losses | - | 3,142 | - | - | (3,142) | - | - |
| **Balance at 30 June 2018** | 1,879,094 | (115,038) | 1,393 | 13,340 | - | 38 | 1,778,827 |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF CASH FLOWS
30 JUNE 2018

| | Notes | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of goods and services tax) | | **783,395** | 416,375 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | **(457,652)** | (319,667) |
| | | **325,743** | 96,708 |
| Interest and other costs of finance paid | | **(7,896)** | - |
| Interest received | | **659** | 2,201 |
| Payments for exploration and growth activities | | **(40,729)** | (21,771) |
| Receipts from other operating activities | | **28** | 540 |
| **Net cash inflow from operating activities** | 7(a) | **277,805** | 77,678 |
| **Cash flows from investing activities** | | | |
| Interest and other costs of finance paid | | **(1,008)** | (13,431) |
| Payments for property, plant and equipment | | **(20,498)** | (14,564) |
| Proceeds from sale of property, plant and equipment and other investments | | **198** | 2,418 |
| Payments for purchase of listed investments | | **(8,919)** | (5,994) |
| Payments for development expenditure | | **(114,536)** | (220,481) |
| Payments for capitalised exploration and evaluation expenditure | | **(5,162)** | (3,662) |
| Payment for acquisition of subsidiary, net of cash acquired | | **-** | (17,574) |
| Net proceeds on sale Jaguar Operation | | **23,140** | - |
| Net proceeds on sale of Stockman Project | | **21,782** | - |
| **Net cash (outflow) from investing activities** | | **(105,003)** | (273,288) |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares | 17(b) | **-** | 281,459 |
| Share issue transaction costs | | **-** | (7,526) |
| Repayment of borrowings | 16 | **(57,142)** | (71,000) |
| Payment of dividends | 19 | **(11,736)** | (17,601) |
| **Net cash (outflow) inflow from financing activities** | | **(68,878)** | 185,332 |
| **Net increase (decrease) in cash and cash equivalents** | | **103,924** | (10,278) |
| Cash and cash equivalents at the beginning of the period | | **35,763** | 46,264 |
| Effects of exchange rate changes on cash and cash equivalents | | **(999)** | (223) |
| **Cash and cash equivalents at the end of the period** | 7 | **138,688** | 35,763 |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

# About this report

Independence Group NL is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the directors' report.

The financial report of Independence Group NL (the Company) and its subsidiaries (collectively, the Group) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 24 August 2018.

**Basis of preparation**

This financial report is a general purpose financial report, prepared by a for-profit entity, which:

- Has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- Has been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and certain classes of property, plant and equipment;
- Is presented in Australian dollars with values rounded to the nearest thousand dollars or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission 'ASIC Corporation Legislative Instrument 2016/191';
- Presents comparative information where required for consistency with the current year's presentation;
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2017 as disclosed in note 31; and
- Does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective, with the exception of AASB 9 Financial Instruments (December 2010) as amended by 2013-0 (AASB 9 (2013)) which was adopted in the year ended 30 June 2016.

**Key estimates and judgements**

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the following notes:

| | |
|---|---|
| Note 5 | Income tax |
| Note 9 | Inventories |
| Note 12 | Provisions |
| Note 13 | Property, plant and equipment |
| Note 14 | Mine properties |
| Note 15 | Exploration and evaluation expenditure |
| Note 26 | Share-based payments |

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year end is contained in note 23.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit or losses resulting from intra-Group transactions have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **PAGE**

# Financial Performance

This section of the notes includes segment information and provides further information on key line items relevant to financial performance that the Directors consider most relevant, including accounting policies, key judgements and estimates relevant to understanding these items.

## 1 Segment information

### (a) Identification of reportable segments

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Group operates in predominantly only one geographic segment (ie. Australia). During the year, the following segments were in operation: The Nova Operation, the Tropicana Operation, the Jaguar Operation, the Long Operation and New Business and Regional Exploration Activities (New Business).

The Nova Operation primarily produces nickel, copper and cobalt concentrate. Revenue is derived from multiple customers. The General Manager of the Nova Project is responsible for the budgets and expenditure of the Operation. The Nova Operation and exploration properties are owned by the Group's wholly owned subsidiary Independence Nova Pty Ltd.

The Tropicana Operation represents the Group's 30% joint venture interest in the Tropicana Gold Mine. AngloGold Ashanti Australia Limited (AngloGold Ashanti) is the manager of the project and holds the remaining 70% interest. Programs and budgets are provided by AngloGold Ashanti and are considered for approval by the Company's Board.

The Jaguar Operation primarily produced zinc and copper concentrate. The Jaguar Operation was sold effective 31 May 2018. The General Manager of the Jaguar Operation was responsible for the budgets and expenditure of the operation. The Jaguar Operation and exploration properties were owned by the Group's wholly owned subsidiary Independence Jaguar Pty Ltd.

The Long Operation produces primarily nickel, together with copper, from which its revenue is derived. Revenue derived by the Long Operation is received from one customer, being BHP Billiton Nickel West Pty Ltd. The Registered Manager of the Long Operation is responsible for the budgets and expenditure of the Operation, which includes exploration activities on the mine's tenure. The Long Operation and exploration properties are owned by the Group's wholly owned subsidiary Independence Long Pty Ltd. The Long Operation was placed in care and maintenance during June 2018.

The Group's General Manager Exploration is responsible for budgets and expenditure relating to the Group's regional exploration, scoping studies, feasibility studies and new business development. The New Business division does not normally derive any income. Should a project generated by the New Business division commence generating income or lead to the construction or acquisition of a mining operation, that operation would then be disaggregated from New Business and become reportable in a different segment.

## 1 Segment information (continued)

### (b) Segment results

| Year ended 30 June 2018 | Nova Project $'000 | Tropicana Operation $'000 | Jaguar Operation $'000 | Long Operation $'000 | New Business and Regional Exploration Activities $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Revenue from external customers | 348,551 | 240,377 | 112,049 | 64,710 | - | 765,687 |
| Other revenue | 241 | - | 87 | 72 | 11 | 411 |
| Total segment revenue | 348,792 | 240,377 | 112,136 | 64,782 | 11 | 766,098 |
| Segment net operating profit (loss) before income tax | 35,623 | 86,292 | 12,893 | 1,368 | (42,390) | 93,786 |
| Total segment assets | 1,374,188 | 1,270,549 | - | 22,194 | 103,869 | 2,770,800 |
| Total segment liabilities | 747,011 | 36,486 | - | 26,725 | 38,381 | 848,603 |
| Acquisition of property, plant and equipment | 6,106 | 4,229 | 8,283 | 547 | - | 19,165 |
| Depreciation and amortisation | 159,777 | 54,532 | 13,826 | 22,835 | 55 | 251,025 |
| Other non-cash expenses | 827 | 396 | 276 | 110 | - | 1,609 |

| Year ended 30 June 2017 | | | | | | |
|---|---|---|---|---|---|---|
| Revenue from external customers | - | 211,915 | 137,349 | 69,905 | - | 419,169 |
| Other revenue | - | - | 121 | 570 | 65 | 756 |
| Total segment revenue | - | 211,915 | 137,470 | 70,475 | 65 | 419,925 |
| Segment net operating profit (loss) before income tax | (752) | 58,300 | 33,534 | 716 | (48,950) | 42,848 |
| Total segment assets | 1,398,182 | 1,037,257 | 175,917 | 38,693 | 110,712 | 2,760,761 |
| Total segment liabilities | 823,010 | 34,071 | 25,665 | 40,402 | 37,689 | 960,837 |
| Acquisition of property, plant and equipment | 2,092 | 2,479 | 7,525 | 788 | - | 12,884 |
| Impairment loss before tax | - | - | - | - | 25,026 | 25,026 |
| Depreciation and amortisation | - | 47,575 | 16,502 | 24,463 | 94 | 88,634 |
| Other non-cash expenses | 621 | 254 | 256 | 101 | - | 1,232 |

## 1 Segment information (continued)

### (c) Segment revenue

A reconciliation of reportable segment revenue to total revenue is as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Revenue from external customers | **766,098** | 419,925 |
| Other revenue from continuing operations | **11,848** | 2,001 |
| **Total revenue** | **777,946** | 421,926 |

Revenues for the Nova Operation were received from BHP Billiton Nickel West Pty Ltd (BHP Billiton Nickel West), Glencore International AG and Trafigura Pte Ltd.

Revenues for the Jaguar Operation were received from Glencore International AG and Trafigura Pte Ltd.

Revenues for the Tropicana Operation were received from The Perth Mint, Australia and the Company's financiers via forward sales contracts.

Revenues for the Long Operation are all derived from a single customer, being BHP Billiton Nickel West.

### (d) Segment net profit before income tax

A reconciliation of reportable segment net profit before income tax to net profit before income tax is as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Segment net operating profit before income tax | **93,786** | 42,848 |
| Interest revenue on corporate cash balances and other unallocated revenue | **11,848** | 2,001 |
| Fair value movement of corporate financial investments | **(587)** | 4,362 |
| Share-based payments expense | **(3,267)** | (1,147) |
| Other corporate costs and unallocated other income | **(15,055)** | (16,570) |
| Borrowing and finance costs | **(9,089)** | (26) |
| Acquisition and other integration costs | **-** | (3,910) |
| Depreciation expense on corporate assets | **(1,108)** | (1,141) |
| Net gain on disposal of subsidiary and other assets | **2,538** | - |
| **Total net profit before income tax** | **79,066** | 26,417 |

### (e) Segment assets

A reconciliation of reportable segment assets to total assets is as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Total assets for reportable segments** | **2,770,800** | 2,760,761 |
| Intersegment eliminations | **(989,296)** | (847,104) |
| ***Unallocated assets:*** | | |
| Deferred tax assets | **207,271** | 251,429 |
| Listed equity securities | **22,376** | 15,339 |
| Cash and receivables held by the parent entity | **159,595** | 24,171 |
| Office and general plant and equipment | **4,182** | 3,887 |
| **Total assets as per the balance sheet** | **2,174,928** | 2,208,483 |

## 1 Segment information (continued)

### (f) Segment liabilities

A reconciliation of reportable segment liabilities to total liabilities is as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Total liabilities for reportable segments** | **848,603** | 960,837 |
| Intersegment eliminations | **(733,072)** | (828,456) |
| ***Unallocated liabilities:*** | | |
| Deferred tax liabilities | **131,638** | 139,903 |
| Creditors and accruals of the parent entity | **5,103** | 3,854 |
| Provision for employee entitlements of the parent entity | **3,014** | 2,520 |
| Bank loans | **140,815** | 197,041 |
| **Total liabilities as per the balance sheet** | **396,101** | 475,699 |

## 2 Revenue

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| ***Sales revenue*** | | |
| Sale of goods | **765,687** | 419,169 |
| | **765,687** | 419,169 |
| ***Other revenue*** | | |
| Interest revenue | **731** | 2,217 |
| Other revenue | **11,528** | 540 |
| | **12,259** | 2,757 |
| **Total revenue** | **777,946** | 421,926 |

### (a) Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

***Sale of goods***

Revenue from the sale of goods is recognised when there is persuasive evidence indicating that there has been a transfer of risks and rewards to the customer.

Sales revenue comprises gross revenue earned, net of treatment and refining charges where applicable, from the provision of products to customers, and includes hedging gains and losses. Sales are initially recognised at estimated sales value when the product is sold. Adjustments are made for variations in metals price, assay, weight and currency between the time of sale and the time of final settlement of sales proceeds.

***Interest revenue***

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## 3 Other income

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Net gain on disposal of property, plant and equipment | **135** | - |
| Net gain on sale of tenements | **13** | - |
| Net gain on sale of subsidiary | **2,541** | - |
| | **2,689** | - |

## 4 Expenses and losses

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Cost of sale of goods | **373,725** | 235,134 |
| Employee benefits expenses | **88,795** | 64,740 |
| Share-based payments expense | **3,267** | 1,147 |
| Exploration and growth costs | **38,926** | 20,139 |
| Rental expense relating to operating leases | **1,872** | 1,597 |
| Impairment of exploration and evaluation expenditure | **-** | 24,891 |
| Impairment of assets | **-** | 135 |
| Net loss of sale of property, plant and equipment | **-** | 613 |
| Net foreign exchange losses | **582** | 570 |
| Amortisation expense | **237,993** | 76,652 |
| *Depreciation* | | |
| Depreciation expense | **14,140** | 14,427 |
| Less : amounts capitalised | **-** | (1,306) |
| Depreciation expensed | **14,140** | 13,121 |
| *Borrowing and finance costs* | | |
| Rehabilitation and restoration borrowing costs | **1,609** | 1,232 |
| Borrowing and finance costs - other entities | **8,174** | 8,706 |
| Amortisation of borrowing costs | **916** | 4,099 |
| Less: amounts capitalised | **-** | (12,779) |
| Finance costs expensed | **10,699** | 1,258 |

## 5 Income tax

### (a) Income tax expense

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| The major components of income tax expense are: | | |
| Deferred income tax expense | **26,380** | 9,406 |
| Current income tax expense | **-** | - |
| **Income tax expense** | **26,380** | 9,406 |
| *Deferred income tax revenue (expense) included in income tax expense comprises:* | | |
| Decrease (increase) in deferred tax assets | **23,039** | (29,247) |
| Increase in deferred tax liabilities | **3,341** | 38,653 |
| **Deferred income tax expense** | **26,380** | 9,406 |

### (b) Amounts recognised directly in equity

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Deferred income tax benefit (expense) related to items charged or credited to other comprehensive income or directly to equity: | | |
| Recognition of hedge contracts | **765** | 104 |
| Business-related capital allowances | **-** | (2,258) |
| Income tax expense reported in equity | **765** | (2,154) |

### (c) Numerical reconciliation of income tax expense to prima facie tax payable

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Profit from continuing operations before income tax expense | **79,066** | 26,417 |
| Tax expense at the Australian tax rate of 30% (2017: 30%) | **23,720** | 7,925 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Share-based payments | **897** | 51 |
| Non-deductible costs associated with acquisition of subsidiary | **-** | 1,173 |
| Other non-deductible items | **1** | - |
| Adjustment to tax cost base of asset on acquisition of subsidiary | **(11,038)** | - |
| Impairment of tax losses previously recognised | **14,032** | - |
| Non-assessable gain on disposal of subsidiary | **(1,341)** | - |
| Capital losses not brought to account | **-** | 84 |
| Previously unrecognised capital losses brought to account | **(86)** | - |
| Difference in overseas tax rates | **46** | 46 |
| Overseas tax losses not brought to account | **126** | 126 |
| Adjustments for current tax of prior periods | **23** | 1 |
| Income tax expense | **26,380** | 9,406 |

## 5 Income tax (continued)

### (d) Reconciliation of carry forward tax losses and income tax paid

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Tax effected balances at 30%** | | |
| Carry forward tax losses at the beginning of the year | **198,571** | 166,506 |
| Tax losses arising (recouped) from current year | **(3,844)** | 32,065 |
| Income tax paid during the year | **-** | - |
| Impairment of tax losses | **(14,032)** | - |
| Carry forward tax losses at the end of the year | **180,695** | 198,571 |
| | | |
| Effective income tax rate based on income tax paid | **-%** | -% |

### (e) Deferred tax assets and liabilities

| | Balance Sheet | | Profit or loss | | Equity | | Disposal of Subsidiary | |
|---|---|---|---|---|---|---|---|---|
| | **2018 $'000** | 2017 $'000 | **2018 $'000** | 2017 $'000 | **2018 $'000** | 2017 $'000 | **2018 $'000** | 2017 $'000 |
| **Deferred tax liabilities** | | | | | | | | |
| Capitalised exploration expenditure | **(3,915)** | (13,285) | **(8,729)** | (7,108) | **-** | - | **(641)** | - |
| Mine properties | **(121,034)** | (115,721) | **14,212** | 42,451 | **-** | - | **(8,899)** | - |
| Deferred gains and losses on hedging contracts | **(597)** | (197) | **-** | (1,544) | **400** | 301 | **-** | - |
| Trade debtors | **(2,606)** | (6,906) | **(3,226)** | 2,974 | **-** | - | **(1,074)** | - |
| Consumable inventories | **(1,905)** | (2,514) | **750** | 814 | **-** | - | **(1,359)** | - |
| Other | **(1,581)** | (1,280) | **334** | 1,066 | **-** | - | **(33)** | - |
| Gross deferred tax liabilities | **(131,638)** | (139,903) | **3,341** | 38,653 | **400** | 301 | **(12,006)** | - |
| | | | | | | | | |
| **Deferred tax assets** | | | | | | | | |
| Property, plant and equipment | **514** | 17,965 | **2,766** | 3,405 | **-** | - | **14,685** | - |
| Deferred losses on hedged commodity contracts | **-** | 365 | **-** | 1,543 | **365** | (197) | **-** | - |
| Business-related capital allowances | **3,593** | 5,509 | **1,916** | 2,056 | **-** | (2,258) | **-** | - |
| Provision for employee entitlements | **1,738** | 4,740 | **1,851** | (2,086) | **-** | - | **1,151** | - |
| Provision for rehabilitation | **18,380** | 21,813 | **(391)** | (1,905) | **-** | - | **3,824** | - |
| Mining information | **-** | 715 | **172** | 307 | **-** | - | **543** | - |
| Carry forward tax losses | **180,695** | 198,571 | **17,876** | (32,065) | **-** | - | **-** | - |
| Other | **2,351** | 1,751 | **(1,151)** | (502) | **-** | - | **551** | - |
| Gross deferred tax assets | **207,271** | 251,429 | **23,039** | (29,247) | **365** | (2,455) | **20,754** | - |
| | | | | | | | | |
| Deferred tax expense (benefit) | **75,633** | 111,526 | **26,380** | 9,406 | **765** | (2,154) | **8,748** | - |

## 5 Income tax (continued)

### (f) Tax losses

In addition to the above recognised tax losses, the Group also has the following revenue and capital tax losses for which no deferred tax asset has been recognised:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Unrecognised revenue tax losses | **46,775** | - |
| Potential tax benefit @ 30.0% (2017: 30%) | **14,032** | - |
| | | |
| Unrecognised capital tax losses | **85,304** | 280 |
| Potential tax benefit @ 30% (2017: 30%) | **25,591** | 84 |

### (g) Recognition and measurement

***Current taxes***

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

***Deferred taxes***

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

***Offsetting deferred tax balances***

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 5 Income tax (continued)

### (h) Significant estimates

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining deferred tax assets and liabilities. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future forecast taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the relevant tax legislation associated with their recoupment.

The Australian consolidated tax group has recognised a deferred tax asset relating to carry forward tax losses of $180,695,000 at 30 June 2018 (2017: $198,571,000). The utilisation of this deferred tax asset amount depends upon future taxable amounts in excess of profits arising from the reversal of temporary differences. The Group believes this amount to be recoverable based on taxable income projections.

## 6 Earnings per share

### (a) Earnings used in calculating earnings per share

Profit used in calculating basic and diluted earnings per share attributable to ordinary equity holders of the parent is $52,686,000 (2017: $17,011,000).

### (b) Weighted average number of shares used as the denominator

| | **2018 Number** | 2017 Number |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **586,808,843** | 580,422,734 |
| Adjustments for calculation of diluted earnings per share: | | |
| Share rights | **2,261,529** | 1,333,910 |
| Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share | **589,070,372** | 581,756,644 |

### (c) Information concerning the classification of securities

***Share rights***

Share rights granted to Executives and employees under the Company's Employee Incentive Plan and any outstanding service rights are included in the calculation of diluted earnings per share as they could potentially dilute basic earnings per share in the future. The share rights are not included in the determination of basic earnings per share. Further information about the share rights is provided in note 26.

### (d) Calculation of earnings per share

*(i)* ***Basic earnings per share***

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

*(ii)* ***Diluted earnings per share***

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

# Working Capital Provisions

This section of the notes provides further information about the Group's working capital and provisions, including accounting policies and key judgements and estimates relevant to understanding these items.

## 7 Cash and cash equivalents

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| Cash at bank and in hand | **138,658** | 35,733 |
| Deposits at call | **30** | 30 |
| | **138,688** | 35,763 |

The Group has cash balances of $1,864,000 (2017: $108,000) not generally available for use as the balances are held by the Tropicana Joint Venture and may only be used in relation to joint venture expenditure.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

### (a) Reconciliation of profit after income tax to net cash inflow from operating activities

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| Profit for the period | **52,686** | 17,011 |
| Depreciation and amortisation | **252,133** | 89,773 |
| Impairment of exploration and evaluation expenditure | **-** | 24,891 |
| Impairment of assets | **-** | 135 |
| Net (gain) loss on sale of non-current assets | **(148)** | 613 |
| Fair value of movement of financial investments | **(231)** | (4,343) |
| Non-cash employee benefits expense - share-based payments | **3,267** | 1,147 |
| Gain on disposal of subsidiary | **(2,541)** | - |
| Amortisation of borrowing expenses | **916** | - |
| Amortisation of lease incentive | **(78)** | (78) |
| Foreign exchange losses on cash balances | **999** | 223 |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in trade receivables | **(26,912)** | (10,425) |
| (Increase) decrease in inventories | **(49,692)** | 635 |
| (Increase) decrease in deferred tax assets | **23,404** | (29,445) |
| (Increase) decrease in other operating receivables and prepayments | **(8,152)** | (955) |
| (Increase) decrease in derivative financial instruments | **(29)** | - |
| (Decrease) increase in trade and other payables | **34,135** | (58,517) |
| (Decrease) increase in deferred tax liabilities | **2,976** | 38,850 |
| (Decrease) increase in other provisions | **(4,928)** | 8,163 |
| Net cash inflow from operating activities | **277,805** | 77,678 |

### (b) Non-cash investing and financing activities

There were no non-cash investing and financing activities during the current or previous year.

## 7 Cash and cash equivalents (continued)

### (c) Recognition and measurement

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

## 8 Trade and other receivables

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Current** | | |
| Trade receivables | **50,858** | 50,047 |
| GST Receivable | **738** | 4,372 |
| Sundry debtors | **40,563** | 2,139 |
| Prepayments | **1,934** | 2,825 |
| | **94,093** | 59,383 |

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Non-current** | | |
| Other receivables | **29,495** | 14 |
| | **29,495** | 14 |

### (a) Recognition and measurement

#### *(i) Trade receivables*

Trade receivables are generally received in the current month, or up to four months after the shipment date. The receivables are initially recognised at fair value.

Trade receivables are subsequently revalued by the marking-to-market of open sales. The Group determines mark-to-market prices using forward prices at each period end for copper and zinc concentrates and nickel ore.

#### *(ii) Other receivables*

Other receivables include amounts outstanding on the sale of the Jaguar Operation. The discounted values (using a discount rate of 3.5%) of the outstanding cash proceeds of $15,520,000 and $29,480,000 are shown in current and non-current receivables respectively. Refer further information at Note 23(b).

#### *(iii) Impairment of trade receivables*

Collectibility of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An allowance is made for doubtful debts based on credit losses expected over the life of the trade receivable taking into account information about past events, current conditions and forecasts of further economic conditions. On confirmation that the trade receivable will not be collectible, the gross carrying value of the asset is written off against the associated provision.

## 9 Inventories

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Current** | | |
| Mine spares and stores - at cost | **15,996** | 20,447 |
| ROM inventory - at cost | **37,778** | 29,516 |
| Concentrate inventory - at cost | **23,258** | 10,078 |
| Gold in circuit | **1,585** | 882 |
| Gold dore | **3,870** | 2,235 |
| | **82,487** | 63,158 |

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Non-current** | | |
| ROM inventory - at cost | **33,012** | 20,077 |
| | **33,012** | 20,077 |

### (a) Classification of inventory

Inventory classified as non-current relates to 0.6g/t to 1.2g/t grade gold ore stockpiles which are not intended to be utilised within the next 12 months but are anticipated to be utilised beyond that period.

### (b) Recognition and measurement

#### *(i) Ore, concentrate and gold inventories*

Inventories, comprising nickel, copper and cobalt in concentrate, gold dore, gold in circuit and ore stockpiles, are valued at the lower of weighted average cost and net realisable value. Costs include fixed direct costs, variable direct costs and an appropriate portion of fixed overhead costs. A portion of the related depreciation, depletion and amortisation charge is included in the cost of inventory.

#### *(ii) Stores and fuel*

Inventories of consumable supplies and spare parts are valued at the lower of cost and net realisable value. Cost is assigned on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion, and the estimated costs necessary to make the sale.

The recoverable amount of surplus items is assessed regularly on an ongoing basis and written down to its net realisable value when an impairment indicator is present.

### (c) Key estimates and judgements

The Group reviews the carrying value of inventories regularly to ensure that their cost does not exceed net realisable value. In determining net realisable value various factors are taken into account, including estimated future sales price of the product based on prevailing spot metals prices at the reporting date, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the amount of contained metal based on assay data, and the estimated recovery percentage based on the expected processing method.

## 10 Financial assets at fair value through profit or loss

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Shares in Australian listed companies - at fair value through profit or loss | **24,294** | 15,348 |
| | **24,294** | 15,348 |

### (a) Amounts recognised in profit or loss

During the current year, the changes in fair values of financial assets resulted in a gain to the profit or loss of $231,000 (2017: $4,343,000). Changes in fair values of financial assets at fair value through profit or loss are recorded in fair value movement of financial investments in the profit or loss.

### (b) Recognition and measurement

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, ie are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

## 11 Trade and other payables

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Current liabilities** | | |
| Trade payables | **14,447** | 6,401 |
| Other payables | **42,139** | 42,651 |
| | **56,586** | 49,052 |

### (a) Recognition and measurement

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## 12 Provisions

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Current** | | |
| Provision for employee entitlements | **4,322** | 7,647 |
| Provision for restructuring costs | **572** | 6,374 |
| Provision for rehabilitation costs | **-** | 1,238 |
| | **4,894** | 15,259 |

## 12 Provisions (continued)

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Non-current** | | |
| Provision for employee entitlements | **901** | 1,779 |
| Provision for rehabilitation costs | **61,267** | 71,449 |
| | **62,168** | 73,228 |

### (a) Movements in provisions

Movements in the provision for rehabilitation costs during the financial year are set out below:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Carrying amount at beginning of financial year | **72,687** | 66,359 |
| Additional provision | **86** | 5,119 |
| Rehabilitation and restoration borrowing costs expense | **1,609** | 1,232 |
| Payments during the period | **(369)** | (23) |
| Disposal of subsidiary | **(12,746)** | - |
| Carrying amount at end of financial year | **61,267** | 72,687 |

### (b) Recognition and measurement

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as rehabilitation and restoration borrowing expense in the profit or loss.

*(i)* ***Rehabilitation and restoration***

Long-term environmental obligations are based on the Group’s environmental management plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. To the extent that future economic benefits are expected to arise, these costs are capitalised and amortised over the remaining lives of the mines.

Annual increases in the provision relating to the change in the net present value of the provision are recognised as finance costs (and disclosed as Rehabilitation and restoration borrowing costs). The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure.

*(ii)* ***Employee benefits***

The provision for employee benefits represents annual leave and long service leave entitlements accrued by employees.

***Short-term obligations***

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The amounts are presented as current employee entitlements in the balance sheet.

## 12 Provisions (continued)

### (b) Recognition and measurement (continued)

*(ii)* ***Employee benefits (continued)***

***Other long-term employee benefit obligations***

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

### (c) Key estimates and judgements

***Rehabilitation and restoration provisions***

The provision for rehabilitation and restoration costs is based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

***Long service leave***

Long service leave is measured at the present value of benefits accumulated up to the end of the reporting period. The liability is discounted using an appropriate discount rate. Management requires judgement to determine key assumptions used in the calculation, including future increases in salaries and wages, future on-costs rates and future settlement dates of employees' departures.

# Invested Capital

This section of the notes provides further information about property, plant and equipment, mine properties and exploration and evaluation expenditure and the carrying amount of these non-financial assets, including accounting policies, key judgements and estimates relevant to understanding these items.

## 13 Property, plant and equipment

| | Land and buildings $'000 | Mining plant and equipment $'000 | Furniture, fittings and other equipment $'000 | Motor vehicles $'000 | Assets under construction $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2018** | | | | | | |
| Cost | 24,257 | 62,710 | 12,483 | 5,583 | 4,061 | 109,094 |
| Accumulated depreciation and impairment | (11,594) | (49,162) | (8,351) | (4,570) | - | (73,677) |
| Net book amount | 12,663 | 13,548 | 4,132 | 1,013 | 4,061 | 35,417 |
| **Movements** | | | | | | |
| Opening net book amount | 14,622 | 20,301 | 3,783 | 2,227 | 3,989 | 44,922 |
| Additions | 1,202 | 8,714 | 1,951 | 911 | 7,847 | 20,625 |
| Transfers | 1,262 | 1,868 | 269 | 153 | (3,552) | - |
| Disposals | - | (52) | - | (16) | - | (68) |
| Depreciation charge | (2,851) | (8,521) | (1,617) | (1,151) | - | (14,140) |
| Sale of subsidiary | (1,572) | (8,762) | (254) | (1,111) | (4,223) | (15,922) |
| Closing net book amount | 12,663 | 13,548 | 4,132 | 1,013 | 4,061 | 35,417 |
| **Year ended 30 June 2017** | | | | | | |
| Cost | 37,652 | 140,391 | 13,137 | 7,008 | 3,989 | 202,177 |
| Accumulated depreciation and impairment | (23,030) | (120,090) | (9,354) | (4,781) | - | (157,255) |
| Net book amount | 14,622 | 20,301 | 3,783 | 2,227 | 3,989 | 44,922 |
| **Movements** | | | | | | |
| Opening net book amount | 19,095 | 19,514 | 4,069 | 2,097 | 2,534 | 47,309 |
| Acquisition of subsidiary | - | - | 44 | 120 | - | 164 |
| Additions | 290 | 7,338 | 1,130 | 1,046 | 3,763 | 13,567 |
| Assets included in a disposal group classified as held for sale and other disposals | (996) | - | (17) | - | - | (1,013) |
| Transfers | - | 3,127 | 185 | - | (2,308) | 1,004 |
| Disposals | (1,024) | (509) | (14) | - | - | (1,547) |
| Depreciation charge | (2,608) | (9,169) | (1,614) | (1,036) | - | (14,427) |
| Impairment loss | (135) | - | - | - | - | (135) |
| Closing net book amount | 14,622 | 20,301 | 3,783 | 2,227 | 3,989 | 44,922 |

## 13 Property, plant and equipment (continued)

### (a) Non-current assets pledged as security

Refer to note 16 for information on non-current assets pledged as security by the Group.

### (b) Recognition and measurement

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. It also includes the direct cost of bringing the asset to the location and condition necessary for first use and the estimated future cost of rehabilitation, where applicable. The assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

***Depreciation***

Land is not depreciated. Depreciation on other assets is calculated using either units-of-production or straight-line depreciation as follows:

| **Depreciation periods are primarily:** | |
|---|---|
| Buildings | 5 - 10 years |
| Mining plant and equipment | 2 - 10 years |
| Motor vehicles | 3 - 8 years |
| Furniture and fittings | 3 - 10 years |
| Leased assets | 3 - 4 years |

Depreciation is expensed as incurred, unless it relates to an asset or operation in the construction phase, in which case it is capitalised.

***Derecognition***

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits. Any gain or loss from derecognising the asset (being the difference between the proceeds of disposal and the carrying amount of the asset) is included in the profit or loss in the period the item is derecognised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

### (c) Key estimates and judgements

The estimations of useful lives, residual values and depreciation methods require significant management judgements and are regularly reviewed. If they need to be modified, the depreciation and amortisation expense is accounted for prospectively from the date of the assessment until the end of the revised useful life (for both the current and future years).

## 14 Mine properties

| | Mine properties in development $'000 | Mine properties in production $'000 | Deferred stripping $'000 | Total mine properties $'000 |
|---|---|---|---|---|
| **Year ended 30 June 2018** | | | | |
| Cost | **-** | **1,831,083** | **161,975** | **1,993,058** |
| Accumulated amortisation and impairment | **-** | **(439,940)** | **(95,430)** | **(535,370)** |
| Net book amount | **-** | **1,391,143** | **66,545** | **1,457,688** |
| **Movements** | | | | |
| Carrying amount at beginning of the period | **1,355,722** | **202,282** | **54,915** | **1,612,919** |
| Additions | **-** | **74,734** | **43,396** | **118,130** |
| Transfers to exploration and evaluation expenditure | **-** | **(1,473)** | **-** | **(1,473)** |
| Transfers | **(1,355,722)** | **1,355,722** | **-** | **-** |
| Amortisation expense | **-** | **(206,227)** | **(31,766)** | **(237,993)** |
| Disposal of subsidiary | **-** | **(33,895)** | **-** | **(33,895)** |
| Closing net book amount | **-** | **1,391,143** | **66,545** | **1,457,688** |

| | Mine properties in development $'000 | Mine properties in production $'000 | Deferred stripping $'000 | Total mine properties $'000 |
|---|---|---|---|---|
| **Year ended 30 June 2017** | | | | |
| Cost | 1,355,722 | 627,098 | 118,579 | 2,101,399 |
| Accumulated amortisation and impairment | - | (424,816) | (63,664) | (488,480) |
| Net book amount | 1,355,722 | 202,282 | 54,915 | 1,612,919 |
| **Movements** | | | | |
| Carrying amount at beginning of the period | 1,197,011 | 239,076 | 34,764 | 1,470,851 |
| Additions | 144,626 | 20,766 | 39,920 | 205,312 |
| Transfers from exploration and evaluation expenditure | - | 327 | - | 327 |
| Transfers to property, plant and equipment | - | (1,004) | - | (1,004) |
| Amortisation expense | - | (56,883) | (19,769) | (76,652) |
| Borrowing costs capitalised | 12,779 | - | - | 12,779 |
| Depreciation expense capitalised | 1,306 | - | - | 1,306 |
| Closing net book amount | 1,355,722 | 202,282 | 54,915 | 1,612,919 |

### (a) Recognition and measurement

#### *(i)* ***Mine properties in development***

Mine properties in development represent the expenditure incurred when technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, and includes the costs incurred up until such time as the asset is capable of being operated in a manner intended by management. These costs are not amortised but the carrying value is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

## 14 Mine properties (continued)

### (a) Recognition and measurement (continued)

#### *(ii) Mine properties in production*

Mine properties in production represent the accumulation of all acquisition, exploration, evaluation and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which mining of the mineral resource has commenced. When further development expenditure, including waste development and stripping, is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property only when substantial future economic benefits are established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a units-of-production basis, with separate calculations being made for each mineral resource. The units-of-production method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. An impairment exists when the carrying value of mine properties exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount and the impairment losses are recognised in profit or loss.

#### *(iii) Deferred stripping*

Stripping activity costs incurred in the development phase of a mine are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units-of-production basis.

Stripping activity incurred during the production phase of a mine is assessed as to whether the benefit accruing from that activity is to provide access to ore that can be used to produce ore inventory, or whether it in addition provides improved access to ore that will be mined in future periods.

To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the Group accounts for those stripping activity costs in accordance with AASB102 *Inventories*. A stripping activity asset is brought to account if it is probable that future economic benefits (improved access to the ore body) will flow to the Group, the component of the ore body for which access has been improved can be identified and costs relating to the stripping activity can be measured reliably.

The amount of stripping activity costs that are capitalised is determined based on a comparison of the stripping ratio in the relevant period with the life of mine stripping ratio. To the extent that there is a period of sustained stripping that exceeds the average life of mine stripping ratio, mine waste stripping costs are capitalised to the stripping activity asset. Such capitalised costs are amortised over the life of that mine on a units-of-production basis. The life of mine ratio is based on ore reserves of the mine. Changes to the life of mine are accounted for prospectively.

### (b) Key estimates and judgements

#### *(i) Proved and probable ore reserves*

The Group uses the concept of life of mine as an accounting value to determine the amortisation of mine properties. In determining life of mine, the Group prepares ore reserve estimates in accordance with the JORC Code 2012, guidelines prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia. The estimate of these proved and probable ore reserves, by their very nature, require judgements, estimates and assumptions.

Where the proved and probable reserve estimates need to be modified, the amortisation expense is accounted for prospectively from the date of the assessment until the end of the revised mine life (for both the current and future years).

#### *(ii) Deferred stripping*

The Group defers advanced stripping costs incurred during the production stage of its operations. This calculation requires the use of judgements and estimates, such as estimates of tonnes of waste to be removed over the life of the mining area and economically recoverable reserves extracted as a result. Changes in a mine's life and design may result in changes to the expected stripping ratio (waste to mineral reserves ratio). Any resulting changes are accounted for prospectively.

## 15 Exploration and evaluation

| | Jaguar Operation $'000 | Long Operation $'000 | Nova Project $'000 | Stockman Project $'000 | Windward $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2018** | | | | | | | |
| Opening net book amount | 5,250 | - | 34,100 | 13,052 | 17,823 | 2,843 | 73,068 |
| Additions | 2,486 | - | - | - | - | 2,675 | 5,161 |
| Transfer from (to) mine properties in production | 1,473 | - | - | - | - | - | 1,473 |
| Disposal of subsidiary | (9,209) | - | - | - | - | - | (9,209) |
| Closing net book amount | - | - | 34,100 | 13,052 | 17,823 | 5,518 | 70,493 |
| | | | | | | | |
| **Year ended 30 June 2017** | | | | | | | |
| Opening net book amount | 5,250 | - | 34,100 | 68,183 | - | - | 107,533 |
| Acquisition of subsidiary | - | - | - | - | 17,823 | - | 17,823 |
| Additions | 216 | 603 | - | - | - | 2,843 | 3,662 |
| Assets included in a disposal group classified as held for sale and other disposals | - | - | - | (30,732) | - | - | (30,732) |
| Impairment loss | - | (492) | - | (24,399) | - | - | (24,891) |
| Transfer from (to) mine properties in production | (216) | (111) | - | - | - | - | (327) |
| Closing net book amount | 5,250 | - | 34,100 | 13,052 | 17,823 | 2,843 | 73,068 |

### (a) Impairment

The Group did not recognise any impairment charges during the current reporting period (2017: $24,891,000).

In the previous financial year, an impairment charge of $24,399,000 related to the Stockman Project, which was an exploration asset reported within the New Business and Regional Exploration Activities segment. The recognised impairment charge was determined with reference to the recoverable amount of the asset being assessed based on its fair value less costs of disposal.

The recoverable amount was determined in relation to the announcement to the ASX on 14 June 2017 titled “Agreement to Divest Stockman Project”, which references to an executed sale agreement of the Stockman Project's assets between Independence Stockman Project Pty Ltd, a wholly owned subsidiary of the Company, and CopperChem Limited, a wholly owned subsidiary of Washington H Soul Pattinson and Company Limited.

## 15 Exploration and evaluation (continued)

### (a) Impairment (continued)

Terms of the sale agreement include a deferred cash consideration component of $31,600,000, and a net smelter return royalty for which the Company determined a value. Key assumptions included a pre-tax real discount rate of 10.5%, and five year average commodity prices as follows: Copper: USD5,808 per tonne, Zinc: USD2,520 per tonne, Silver: USD17.86 per ounce and foreign exchange: USD:AUD 0.74.

### (b) Recognition and measurement

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource.

Exploration and evaluation expenditure is expensed to the profit or loss as incurred except in the following circumstances in which case the expenditure may be capitalised:

- The existence of a commercially viable mineral deposit has been established and it is anticipated that future economic benefits are more likely than not to be generated as a result of the expenditure; and
- The exploration and evaluation activity is within an area of interest which was acquired as an asset acquisition or in a business combination and measured at fair value on acquisition.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. An impairment exists when the carrying value of expenditure exceeds its estimated recoverable amount. The area of interest is then written down to its recoverable amount and the impairment losses are recognised in profit or loss.

Upon approval for the commercial development of an area of interest, exploration and evaluation assets are tested for impairment and transferred to 'Mine properties in development'. No amortisation is charged during the exploration and evaluation phase.

### (c) Key estimates and judgements

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

The Group reviews the carrying value of exploration and evaluation expenditure on a regular basis to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support continued carry forward of capitalised costs. This assessment requires judgement as to the status of the individual projects and their estimated recoverable amount.

# Capital structure and financing activities

This section of the notes provides further information about the Group's borrowings, contributed equity, reserves, accumulated losses and dividends, including accounting policies relevant to understanding these items.

## 16 Borrowings

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Current** | | |
| ***Unsecured*** | | |
| Bank loans | **56,226** | 56,226 |
| Total current borrowings | **56,226** | 56,226 |

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Non-current** | | |
| ***Unsecured*** | | |
| Bank loans | **84,589** | 140,815 |
| Total non-current borrowings | **84,589** | 140,815 |

### (a) Corporate loan facility

On 16 July 2015, the Company entered into a Syndicated Facility Agreement (Facility Agreement) with National Australia Bank Limited, Australia and New Zealand Banking Group Limited and Commonwealth Bank of Australia Limited for a $550,000,000 unsecured committed term finance facility. The Facility Agreement comprised:

- A $350,000,000 amortising term loan facility expiring in September 2020; and
- A $200,000,000 revolving loan facility expiring in September 2020.

In October 2016, Company repaid $71,000,000 of the amortising term loan facility and also cancelled a further $79,000,000 of the same facility. During 2018, the Company repaid further amounts of $57,142,000 of the amortising term loan facility in accordance with the repayment schedule. The Company undertook a further restructure of the facility in June 2018, with the cancellation of the $200,000,000 revolving loan facility.

Following the above repayments and restructures, the Company's amortising loan facility is $142,858,000.

Transaction costs are accounted for under the effective interest rate method. These costs are incremental costs that are directly attributable to the loan and include loan origination fees, commitment fees and legal fees. At 30 June 2018, a balance of unamortised transaction costs of $2,043,000 (2017: $2,959,000) was offset against the bank loans contractual liability of $142,858,000 (2017: $200,000,000). Total capitalised transaction costs to 30 June 2018 are $5,495,000 (2017: $5,495,000).

Borrowing costs incurred during the previous financial year of $12,779,000 related to a qualifying asset (Nova Project) and were capitalised in accordance with AASB 123 *Borrowing Costs*. Refer to note 14.

The Facility Agreement has certain financial covenants that the Company has to comply with. All such financial covenants have been complied with in accordance with the Facility Agreement.

### (b) Assets pledged as security

There were no assets pledged as security at 30 June 2018 (2017: $nil).

## 16 Borrowings (continued)

### (c) Financing arrangements

The Group had access to the following financing arrangements at the reporting date:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Total facilities** | | |
| Corporate debt facility | **142,858** | 400,000 |
| Contingent instrument facility[1] | **1,311** | 1,281 |
| | **144,169** | 401,281 |
| **Facilities used as at reporting date** | | |
| Corporate debt facility | **142,858** | 200,000 |
| Contingent instrument facility | **1,311** | 1,281 |
| | **144,169** | 201,281 |
| **Facilities unused as at reporting date** | | |
| Corporate debt facility | **-** | 200,000 |
| | **-** | 200,000 |

1. This facility provides financial backing in relation to non-performance of third party guarantee requirements.

### (d) Recognition and measurement

#### *(i)* ***Borrowings***

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs and amortised over the period of the remaining facility.

#### *(ii)* ***Borrowing costs***

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

## 17 Contributed equity

### (a) Share capital

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Fully paid issued capital | **1,879,094** | 1,878,469 |

## 17 Contributed equity (continued)

### (a) Share capital (continued)

### (b) Movements in ordinary share capital

| Details | 2018 Number of shares | 2018 $'000 | 2017 Number of shares | 2017 $'000 |
|---|---|---|---|---|
| Balance at beginning of financial year | 586,747,023 | 1,878,469 | 511,422,871 | 1,601,458 |
| Issue of shares under the Employee Incentive Plan | 176,012 | 625 | 268,796 | 820 |
| Share placement and share purchase plan issues | - | - | 75,055,356 | 281,459 |
| Less: Transaction costs arising on share issue (net of tax) | - | - | - | (5,268) |
| Balance at end of financial year | 586,923,035 | 1,879,094 | 586,747,023 | 1,878,469 |

### (c) Capital management

The Board's policy is to preserve a strong balance sheet so as to maintain investor, creditor and market confidence, and to sustain ongoing and future development of the business. Demonstrating the Company's balance sheet strength are various financing and liquidity ratios, supported by strong EBITDA margins:

| | 2018 | 2017 |
|---|---|---|
| Current ratio (times) | **2.9** | **1.7** |
| Debt to equity | **8%** | **12%** |
| Underlying EBITDA margin | **44%** | **36%** |

The Group's capital comprises equity, including reserves, and net debt/(cash). As at 30 June 2018 this totalled $1,782,997,000 (2017: $1,897,021,000), a decrease of 6% over 2017. Contributing to this decrease was the reduction in debt as a result of debt repayments of $57,142,000 during the year.

The Company's capital management framework aims to respond to a dynamic commodity and investment cycle. To this end, the goals of the framework are to:

- Ensure that the Company's operations are able to generate cash flows safely, at appropriate margins, and according to plan;
- Provide a buffer from future potential adverse price movements as a result of the Company operating in a cyclical commodity price environment;
- Raise and repay debt and invest in growth and replenish and acquire new assets; and
- Raise capital and to repay capital to shareholders by way of dividends or capital returns. Dividend payments target a minimum 30% of net profit after tax, after excluding non-recurring items.

None of the Group's entities are currently subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year.

### (d) Recognition and measurement

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

## 18 Reserves and accumulated losses

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Hedging reserve | **1,393** | (391) |
| Share-based payments reserve | **13,340** | 10,698 |
| Foreign currency translation reserve | **38** | (4) |
| Acquisition reserve | **-** | 3,142 |
| | **14,771** | 13,445 |

### (a) Movements in reserves

The following table shows a breakdown of the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

| | Hedging reserve $'000 | Share- based payments reserve $'000 | Acquisition reserve $'000 | Foreign currency translation reserve $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Balance at 1 July 2017** | (391) | 10,698 | 3,142 | (4) | 13,445 |
| Revaluation - gross | 3,140 | - | - | - | 3,140 |
| Deferred tax | (942) | - | - | - | (942) |
| Transfer to profit or loss - gross | (591) | - | - | - | (591) |
| Deferred tax | 177 | - | - | - | 177 |
| Transfer to accumulated losses | - | - | (3,142) | - | (3,142) |
| Currency translation differences - current period | - | - | - | 42 | 42 |
| Share-based payment expenses | - | 3,267 | - | - | 3,267 |
| Issue of shares under the Employee Incentive Plan | - | (625) | - | - | (625) |
| **Balance at 30 June 2018** | 1,393 | 13,340 | - | 38 | 14,771 |
| | | | | | |
| **Balance at 1 July 2016** | (632) | 10,371 | 3,142 | (8) | 12,873 |
| Revaluation - gross | 676 | - | - | - | 676 |
| Deferred tax | (203) | - | - | - | (203) |
| Transfer to profit or loss - gross | (331) | - | - | - | (331) |
| Deferred tax | 99 | - | - | - | 99 |
| Currency translation differences - current period | - | - | - | 4 | 4 |
| Share-based payment expenses | - | 1,147 | - | - | 1,147 |
| Issue of shares under the Employee Incentive Plan | - | (820) | - | - | (820) |
| **Balance at 30 June 2017** | (391) | 10,698 | 3,142 | (4) | 13,445 |

## 18 Reserves and accumulated losses (continued)

### (b) Nature and purpose of reserves

***Hedging reserve***

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

***Share-based payments reserve***

The share-based payments reserve is used to record the value of share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to note 26 for further details of these plans.

***Foreign currency translation reserve***

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

***Acquisition reserve***

The acquisition reserve is used to record differences between the carrying value of non-controlling interests and the fair value of the shares issued, where there has been a transaction involving non-controlling interests that do not result in a loss of control. The reserve is attributable to the equity of the parent.

### (c) Accumulated losses

Movements in accumulated losses were as follows:

| | Notes | **2018 $'000** | 2017 $'000 |
|---|---|---|---|
| Balance at beginning of financial year | | **(159,130)** | (158,540) |
| Net profit for the period | | **52,686** | 17,011 |
| Dividends paid during the period | 19 | **(11,736)** | (17,601) |
| Transfer from acquisition reserve | | **3,142** | - |
| Balance at end of financial year | | **(115,038)** | (159,130) |

## 19 Dividends paid and proposed

### (a) Ordinary shares

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| Final ordinary dividend for the year ended 30 June 2017 of 1 cent (2016: 2 cents) per fully paid share | **5,868** | 11,734 |
| Interim dividend for the year ended 30 June 2018 of 1 cent (2017: 1 cent) per fully paid share | **5,868** | 5,867 |
| Total dividends paid during the financial year | **11,736** | 17,601 |

## 19 Dividends paid and proposed (continued)

### (b) Dividends not recognised at the end of the reporting period

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 2 cents (2017: 1 cent) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 27 September 2018 out of retained earnings at 30 June 2018, but not recognised as a liability at year end, is: | **11,807** | 5,867 |

### (c) Franked dividends

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Franking credits available for subsequent reporting periods based on a tax rate of 30% (2017: 30%) | **29,799** | 34,829 |

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the Directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of $5,060,000 (2017: $2,515,000).

### (d) Recognition and measurement

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

# Risk

This section of the notes includes information on the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

## 20 Derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes below. The Group has the following derivative financial instruments:

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Current assets** | | |
| Diesel hedging contracts - cash flow hedges | **1,990** | - |
| Foreign currency contracts - cash flow hedges | **-** | 657 |
| | **1,990** | 657 |
| **Current liabilities** | | |
| Commodity hedging contracts - cash flow hedges | **-** | 910 |
| Diesel hedging contracts - cash flow hedges | **-** | 55 |
| | **-** | 965 |
| **Non-current liabilities** | | |
| Diesel hedging contracts - cash flow hedges | **-** | 251 |
| | **-** | 251 |

### (a) Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates, commodity prices and diesel prices.

The derivative financial instruments are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as cash flow hedges. The Group's accounting policy for its cash flow hedges is set out below.

The fair value of the derivative instruments at the reporting date is reflected in current and non-current assets and liabilities in the balance sheet and is calculated by comparing the contracted rate to the market rates for derivatives with the same length of maturity.

Refer to note 21 and below for details of the foreign currency, commodity prices and diesel fuel risk being mitigated by the Group's derivative instruments as at 30 June 2018 and 30 June 2017.

***Diesel***

The Group held various diesel fuel hedging contracts at 30 June 2018 and 30 June 2017 to reduce the exposure to future increases in the price of the Singapore gasoil component of diesel fuel.

The following table details the diesel fuel hedging contracts outstanding at the reporting date:

## 20 Derivatives (continued)

*Diesel (continued)*

| | Litres of oil ('000) | | Weighted average price (AUD/litre) | | Fair value | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018 $'000** | 2017 $'000 |
| 0 - 6 months | 5,400 | 16,464 | 0.51 | 0.48 | 1,342 | 36 |
| 6 -12 months | 2,700 | 16,560 | 0.51 | 0.49 | 648 | (91) |
| 1 - 2 years | - | 8,640 | - | 0.51 | - | (251) |
| Total | 8,100 | 41,664 | 0.51 | 0.49 | 1,990 | (306) |

*Copper*

There were no copper commodity contracts, or foreign exchange contracts which matched the terms of the commodity contracts, held by the Group at 30 June 2018. The table below details the outstanding copper commodity contracts which were outstanding at 30 June 2017:

| | Tonnes of metal | | Weighted average price (USD/metric tonne) | | Fair value | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018 $'000** | 2017 $'000 |
| 0 - 6 months | - | 1,020 | - | 5,613 | - | (435) |
| 6 - 12 months | - | 1,020 | - | 5,613 | - | (475) |
| Total | - | 2,040 | - | 5,613 | - | (910) |

The following table details the forward foreign currency contracts outstanding at the reporting date:

| | Notional amounts (USD) | | Weighted average AUD:USD exchange rate | | Fair value | |
|---|---|---|---|---|---|---|
| | **2018 $'000** | 2017 $'000 | **2018** | 2017 | **2018 $'000** | 2017 $'000 |
| **Sell USD forward** | | | | | | |
| 0 - 6 months | - | 5,725 | - | 0.7353 | - | 330 |
| 6 - 12 months | - | 5,726 | - | 0.7336 | - | 327 |
| Total | - | 11,451 | - | 0.7345 | - | 657 |

### (b) Recognition and measurement

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

## 20 Derivatives (continued)

### (b) Recognition and measurement (continued)

The Group documents, at the inception of the hedging transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability. Movements in the hedging reserve in shareholder's equity are shown in note 18.

*(i)* ***Fair value hedge***

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

*(ii)* ***Cash flow hedge***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedging reserve in equity, limited to the cumulative change in the fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'.

The changes in the time value component of options that relate to hedged items are recognised with other comprehensive income in the hedging reserve within equity. The cumulative changes accumulated in the hedge reserve are reclassified to the profit or loss when the hedged item affects profit or loss.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

*(iii)* ***Derivatives that do not qualify for hedge accounting***

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

## 21 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

Financial instruments are held by the Group for various purposes, including:

- Operational: Activities of the Group generate financial instruments which include cash, trade receivables and trade payables;

- Financing: The Company may enter into debt instruments in order to finance both internal growth opportunities and acquire assets. Types of instruments used include syndicated and other bank loans and hire purchase agreements. Surplus funds are held either at call or as short-term deposits; and

## 21 Financial risk management (continued)

- Risk management: The Group is exposed to commodity and foreign exchange risk which is overseen by management, under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. Financial instruments used by the Group to mitigate these risks include forward exchange contracts, commodity swaps and forward sales agreements.

By holding these financial instruments, the Group exposes itself to risk. The Board reviews and agrees the Group's policies for managing each of these risks, which are summarised below:

### (a) Risk exposures and responses

#### *(i) Foreign currency risk*

As the Group's sales revenues for base and precious metals are denominated in United States dollars (USD) and the majority of operating costs are denominated in Australian dollars (AUD), the Group's cash flow is significantly exposed to movements in the AUD:USD exchange rate. The Group mitigates this risk through the use of derivative instruments, including, but not limited to, forward contracts denominated in AUD.

Financial instruments, including derivative instruments, denominated in USD and then converted into the functional currency (i.e. AUD) were as follows:

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | **11,578** | 8,162 |
| Trade and other receivables | **50,858** | 50,047 |
| Derivative financial instruments | **-** | 657 |
| | **62,436** | 58,866 |
| **Financial liabilities** | | |
| Derivative financial instruments | **-** | 910 |
| | **-** | 910 |
| Net financial assets | **62,436** | 57,956 |

The cash balance above only represents the cash held in the USD bank accounts at the reporting date and converted into AUD at the 30 June 2018 AUD:USD exchange rate of 0.7391 (2017: 0.7692). The remainder of the cash balance of $127,110,000 (2017: $27,601,000) was held in AUD and therefore not exposed to foreign currency risk.

The trade and other receivables amounts represent the USD denominated trade debtors. All other trade and other receivables were denominated in AUD at the reporting date.

The following table summarises the Group's sensitivity of financial instruments held at 30 June 2018 to movements in the AUD:USD exchange rate, with all other variables held constant.

| **Sensitivity of financial instruments to foreign currency movements** | **Impact on post-tax profit** | | **Impact on other components of equity** | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| Increase/decrease in foreign exchange rate | | | | |
| Increase 5.0% | **(2,605)** | (1,934) | **-** | 494 |
| Decrease 5.0% | **2,879** | 2,138 | **-** | (546) |

## 21 Financial risk management (continued)

### (a) Risk exposures and responses (continued)

#### *(ii) Commodity price risk*

The Group's sales revenues are generated from the sale of nickel, copper, zinc, gold, cobalt and silver. Accordingly, the Group's revenues, derivatives and trade receivables are exposed to commodity price risk fluctuations, primarily nickel, copper, zinc, gold, cobalt and silver.

***Nickel***

Nickel concentrate sales have an average price finalisation period of two to three months until the sale is finalised with the customer.

It is the Board's policy to hedge between 0% and 50% of total nickel production tonnes.

***Copper and zinc***

Copper and zinc concentrate sales during the year had an average price finalisation period of up to three months from shipment date.

It is the Board's policy to hedge between 0% and 50% of total copper and zinc production tonnes.

***Gold***

It is the Board's policy to hedge between 0% and 50% of forecast gold production from the Company's 30% interest in the Tropicana Gold Mine.

***Diesel fuel***

It is the Board's policy to hedge up to 75% of forecast diesel fuel usage. Diesel fuel price comprises a number of components, including Singapore gasoil and various other costs such as shipping and insurance. The total of all costs represents the wholesale or Terminal Gate Price (TGP) of diesel. The Group only hedges the Singapore gasoil component of the diesel TGP, which represents approximately 40% of the total diesel price.

The markets for base and precious metals are freely traded and can be volatile. As a relatively small producer, the Group has no ability to influence commodity prices. The Group mitigates this risk through derivative instruments, including, but not limited to, quotational period hedging, forward contracts and collar arrangements.

At the reporting date, the carrying value of the financial instruments exposed to commodity price movements were as follows:

| **Financial instruments exposed to commodity price movements** | **2018**<br>**$'000** | 2017<br>$'000 |
|---|---|---|
| **Financial assets** | | |
| Trade and other receivables | **46,277** | 46,742 |
| Derivative financial instruments - diesel hedging contracts | **1,990** | - |
| | **48,267** | 46,742 |
| **Financial liabilities** | | |
| Derivative financial instruments - commodity hedging contracts | **-** | 910 |
| Derivative financial instruments - diesel hedging contracts | **-** | 306 |
| | **-** | 1,216 |
| Net exposure | **48,267** | 45,526 |

The following table summarises the sensitivity of financial instruments held at 30 June 2018 to movements in the nickel price, with all other variables held constant. Trade receivables valuation uses a sensitivity analysis of 5.0% (2017: 1.5%) and a 20.0% (2017: 20.0%) sensitivity rate is used to value derivative contracts.

**21 Financial risk management (continued)**

**(a) Risk exposures and responses (continued)**

***(ii) Commodity price risk (continued)***

| Sensitivity of financial instruments to nickel price movements | Impact on post-tax profit | |
|---|---|---|
| | **2018 $'000** | 2017 $'000 |
| Increase/decrease in nickel prices | | |
| Increase | **3,326** | 465 |
| Decrease | **(3,326)** | (465) |

The following table summarises the sensitivity of financial instruments held at 30 June 2018 to movements in the copper price, with all other variables held constant. Trade receivables valuation uses a sensitivity analysis of 5% (2017: 1.5%) and a 20.0% (2017: 20.0%) sensitivity rate is used to value derivative contracts.

| Sensitivity of financial instruments to copper price movements | Impact on post-tax profit | | Impact on other components of equity | |
|---|---|---|---|---|
| | **2018 $'000** | 2017 $'000 | **2018 $'000** | 2017 $'000 |
| Increase/decrease in copper price | | | | |
| Increase | **1,250** | 9 | **-** | (2,157) |
| Decrease | **(1,250)** | (9) | **-** | 2,157 |

The following table summarises the sensitivity of financial instruments held at 30 June 2018 to movements in the zinc price, with all other variables held constant.

| Sensitivity of financial instruments to zinc price movements | Impact on post-tax profit | |
|---|---|---|
| | **2018 $'000** | 2017 $'000 |
| Increase/decrease in zinc price | | |
| Increase 1.5% (2017: 1.5%) | **-** | 148 |
| Decrease 1.5% (2017: 1.5%) | **-** | (148) |

The following table summarises the sensitivity of financial instruments held at 30 June 2018 to movements in the Singapore gasoil price, with all other variables held constant.

| Sensitivity of financial instruments to Singapore gasoil price movements | Impact on other components of equity | |
|---|---|---|
| | **2018 $'000** | 2017 $'000 |
| Increase/decrease in Singapore gasoil price | | |
| Increase 20% (2017: 20%) | **852** | 2,793 |
| Decrease 20% (2017: 20%) | **(852)** | (2,793) |

***(iii) Equity price risk sensitivity analysis***

The following sensitivity analysis has been determined based on the exposure to equity price risks at the reporting date. Each equity instrument is assessed on its individual price movements with the sensitivity rate based on a reasonably possible change of 20% (2017: 20%). At reporting date, if the equity prices had been higher or lower, net profit for the year would have increased or decreased by $3,389,000 (2017: $2,149,000).

## 21 Financial risk management (continued)

### (a) Risk exposures and responses (continued)

*(iv)* ***Cash flow and fair value interest rate risk***

The Group's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. At the reporting date, the Group had the following exposure to interest rate risk on financial instruments:

| | **30 June 2018** Weighted average interest rate % | **30 June 2018** Balance $'000 | 30 June 2017 Weighted average interest rate % | 30 June 2017 Balance $'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | **1.5%** | **138,688** | 2.1% | 35,763 |
| | **1.5%** | **138,688** | 2.1% | 35,763 |
| **Financial liabilities** | | | | |
| Bank loans | **3.8%** | **142,858** | 3.9% | 200,000 |
| | **3.8%** | **142,858** | 3.9% | 200,000 |

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

| **Sensitivity of interest revenue and expense to interest rate movements** | **Impact on post-tax profit** **2018** **$'000** | 2017 $'000 |
|---|---|---|
| Interest revenue | | |
| Increase 1.0% (2017: 1.0%) | **957** | 192 |
| Decrease 1.0% (2017: 1.0%) | **(957)** | (192) |
| Interest expense | | |
| Increase 1.0% (2017: 1.0%) | **(1,000)** | (1,400) |
| Decrease 1.0% (2017: 1.0%) | **1,000** | 1,400 |

### (b) Credit risk

***Gold bullion sales***

Credit risk arising from the sale of gold bullion to the Company's customer is low as the payment by the customer (being The Perth Mint Australia) is guaranteed under statute by the Western Australian State Government. In addition, sales are made to high credit quality financial institutions, hence credit risk arising from these transactions is considered to be low.

***Nickel, copper and zinc concentrate sales***

Credit risk arising from sales to customers is managed by contracts that stipulate a provisional payment of between 90% and 100% of the estimated value of each sale. Provisional payments are made via an unconditional and irrevocable letter of credit, governed by the laws of Western Australia, and are expected to be received within a few business days. Title to the concentrate does not pass to the buyer until this provisional payment is received by the Group. Final payment is dependent on the quotation period of the respective purchase contract, and is also made via an irrevocable letter of credit.

Due to the large size of concentrate shipments, there are a relatively small number of transactions each month and therefore each transaction and receivable balance is actively managed on an ongoing basis, with attention to timing of customer payments and imposed credit limits. The resulting exposure to bad debts is not considered significant.

## 21 Financial risk management (continued)

### (b) Credit risk (continued)

***Nickel ore sales***

The Group has a concentration of credit risk in that it depends on BHP Billiton Nickel West Pty Ltd (BHPB Nickel West) for sales revenue from the Long Operation. During the year ended 30 June 2018, all nickel ore sales revenue was sourced from this company. The risk is mitigated in that the agreement relating to sales revenue contains provision for the Group to seek alternative revenue providers in the event that BHPB Nickel West is unable to accept supply of the Group's product due to a force majeure event. This has been further de-risked as the Nova Operation could accept ore from the Long Operation for processing and concentrate production. The risk is also further mitigated by the receipt of 70% of the value of any months' sale within a month of that sale occurring. The Long Operation was placed under care and maintenance in June 2018.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

***Other***

In respect of financial assets and derivative financial instruments, the Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at the reporting date is addressed below. The Group does not hold any credit derivatives to offset its credit exposure.

Derivative counterparties and cash transactions are restricted to high credit quality financial institutions.

The maximum exposure to credit risk at the reporting date was as follows:

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | **138,688** | 35,763 |
| Trade and other receivables | **50,858** | 50,047 |
| Other receivables | **70,796** | 6,525 |
| Financial assets | **24,294** | 15,348 |
| Derivative financial instruments | **1,990** | 657 |
| | **286,626** | 108,340 |

### (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial liabilities as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Management and the Board monitors liquidity levels on an ongoing basis.

***Maturities of financial liabilities***

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

## 21 Financial risk management (continued)

### (c) Liquidity risk (continued)

***Maturities of financial liabilities (continued)***

| Contractual maturities of financial liabilities | Less than 6 months $'000 | 6 - 12 months $'000 | Between 1 and 5 years $'000 | Total contractual cash flows $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|
| **At 30 June 2018** | | | | | |
| Trade and other payables | **56,586** | **-** | **-** | **56,586** | **56,586** |
| Bank loans* | **29,652** | **31,544** | **88,163** | **149,359** | **140,815** |
| | **86,238** | **31,544** | **88,163** | **205,945** | **197,401** |
| **At 30 June 2017** | | | | | |
| Trade and other payables | 49,052 | - | - | 49,052 | 49,052 |
| Bank loans* | 30,234 | 33,283 | 149,821 | 213,338 | 197,041 |
| | 79,286 | 33,283 | 149,821 | 262,390 | 246,093 |

* Includes estimated interest payments.

There were no derivative financial instruments outstanding at 30 June 2018. The following table details the Group's liquidity analysis for its derivative financial instruments for 30 June 2017, based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settles on a net basis. When the net amount payable is not fixed, the amount disclosed has been determined by reference to the projected forward curves existing at the reporting date.

| | Less than 6 months $'000 | 6 - 12 months $'000 | Between 1 and 5 years $'000 | Total contractual cash flows $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|
| At 30 June 2017 | | | | | |
| Commodity hedging contracts | 399 | 566 | 251 | 1,216 | 1,216 |
| | 399 | 566 | 251 | 1,216 | 1,216 |

### (d) Recognised fair value measurements

#### *(i) Fair value hierarchy*

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2018 and 30 June 2017 on a recurring basis.

## 21 Financial risk management (continued)

### (d) Recognised fair value measurements (continued)

*(i)* ***Fair value hierarchy (continued)***

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **At 30 June 2018** | | | | |
| **Financial assets** | | | | |
| Listed investments | **24,294** | **-** | **-** | **24,294** |
| Derivative instruments | | | | |
| Diesel hedging contracts | **-** | **1,990** | **-** | **1,990** |
| | **24,294** | **1,990** | **-** | **26,284** |

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **At 30 June 2017** | | | | |
| **Financial assets** | | | | |
| Listed investments | 15,348 | - | - | 15,348 |
| Derivative instruments | | | | |
| Foreign currency hedging contracts | - | 657 | - | 657 |
| | 15,348 | 657 | - | 16,005 |
| **Financial liabilities** | | | | |
| Derivative instruments | | | | |
| Commodity hedging contracts | - | 910 | - | 910 |
| Diesel hedging contracts | - | 306 | - | 306 |
| | - | 1,216 | - | 1,216 |

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2018 and did not transfer any fair value amounts between the fair value hierarchy levels during the year ended 30 June 2018.

*(ii)* ***Valuation techniques used to determine level 1 fair values***

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

*(iii)* ***Valuation techniques used to determine level 2 and level 3 fair values***

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of commodity and forward foreign exchange contracts is determined using forward commodity and exchange rates at the reporting date.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

## 21 Financial risk management (continued)

### (d) Recognised fair value measurements (continued)

*(iii) **Valuation techniques used to determine level 2 and level 3 fair values (continued)***

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities which are included in level 3.

*(iv) **Fair value of other financial instruments***

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. These instruments had the following fair value at the reporting date.

| | 30 June 2018 | | 30 June 2017 | |
|---|---|---|---|---|
| | Carrying amount $'000 | Fair value $'000 | Carrying amount $'000 | Fair value $'000 |
| **Current assets** | | | | |
| Cash and cash equivalents | **138,688** | **138,688** | 35,763 | 35,763 |
| | **138,688** | **138,688** | 35,763 | 35,763 |
| **Current liabilities** | | | | |
| Bank loans | **56,226** | **57,142** | 56,226 | 57,142 |
| | **56,226** | **57,142** | 56,226 | 57,142 |
| **Non-current liabilities** | | | | |
| Bank loans | **84,589** | **85,716** | 140,815 | 142,858 |
| | **84,589** | **85,716** | 140,815 | 142,858 |

# Group structure

This section of the notes provides information which will help users understand how the group structure affects the financial position and performance of the Group.

## 22 Assets held for sale

On 14 June 2017, the Company announced its intention to divest of the Stockman Project, which was owned by the Group's wholly owned subsidiary Independence Stockman Project Pty Ltd. The associated assets were consequently presented as held for sale in the 2017 financial statements.

### (a) Assets and liabilities classified as held for sale

The following assets were reclassified as held for sale as at 30 June 2018:

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| Assets classified as held for sale | | |
| Exploration and evaluation expenditure | **-** | 30,732 |
| Property, plant and equipment | **-** | 1,013 |
| Total assets | **-** | 31,745 |

The sale of the Stockman Project was completed in December 2017. Partial proceeds of $22,262,000 have been received during the current financial year, offset by costs of sale of $480,000. The net proceeds are disclosed as Net proceeds on sale of Stockman Project in the consolidated statement of cash flows.

### (b) Recognition and measurement

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

## 23 Subsidiaries

### (a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of Independence Group NL and the subsidiaries listed in the following table:

## 23 Subsidiaries (continued)

### (a) Significant investments in subsidiaries (continued)

| Name of entity | Note | Country of incorporation | Equity holding 2018 % | 2017 % |
|---|---|---|---|---|
| Independence Long Pty Ltd | (a) | Australia | **100** | 100 |
| Independence Newsearch Pty Ltd | | Australia | **100** | 100 |
| Independence Jaguar Pty Ltd | (a),(b) | Australia | **-** | 100 |
| Independence Stockman Parent Pty Ltd | | Australia | **100** | 100 |
| Independence Stockman Project Pty Ltd | | Australia | **100** | 100 |
| Independence Jaguar Project Parent Pty Ltd | (b) | Australia | **-** | 100 |
| Independence Jaguar Project Pty Ltd | (b) | Australia | **-** | 100 |
| Independence Windward Pty Ltd | | Australia | **100** | 100 |
| Independence Europe Pty Ltd | | Australia | **100** | 100 |
| Independence Nova Holdings Pty Ltd | (a) | Australia | **100** | 100 |
| Independence Nova Pty Ltd | (a) | Australia | **100** | 100 |
| Independence Group Europe AB | | Sweden | **100** | 100 |
| Flinders Prospecting Pty Ltd | (c) | Australia | **100** | 100 |

(a) These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission. For further information refer to note 29.

(b) Subsidiaries disposed of on 31 May 2018.

(c) Independence Karlawinda Pty Ltd changed its name to Flinders Prospecting Pty Ltd during the year.

### (b) Sale of Independence Jaguar Pty Ltd

On 25 May 2018, the Company announced that it had entered into an agreement with CopperChem Limited (CopperChem) to divest the Jaguar Operation for a total consideration of $73,200,000. The consideration comprised $25,000,000 in cash on completion of the transaction and an additional $48,200,000 in deferred cash payments.

The transaction was completed on 31 May 2018, with the Company receiving a cash payment of $25,000,000, with three future cash payments of $16,100,000 receivable on each of the three anniversaries following the completion date.

The discounted values (using a discount rate of 3.5%) of the outstanding cash proceeds of $15,520,000 and $29,480,000 are shown in current and non-current receivables respectively.

The sale of the Jaguar Operation resulted in a net gain on sale before tax of $2,541,000, which is included in Other income in profit or loss. Cash proceeds of $25,000,000 and costs associated with the sale of the subsidiary of $1,860,000 are shown as Net cash proceeds on sale of Jaguar Operation in investing activities in the Statement of cash flows.

### (c) Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 31(c)(i)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

# Unrecognised items

This section of the notes provides information about items that are not recognised in the financial statements as they do not yet satisfy the recognition criteria but could potentially have an impact on the Group's financial position and performance.

## 24 Commitments and contingencies

### (a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| Mine properties in development | **-** | 1,667 |
| | **-** | 1,667 |

### (b) Commitments

#### *(i) Leasing commitments*

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| *Operating lease commitments* | | |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Within one year | **1,848** | 1,599 |
| Later than one year but not later than five years | **3,557** | 4,859 |
| Total minimum lease payments | **5,405** | 6,458 |

### (c) Gold delivery commitments

| | **Gold for physical delivery oz** | **Average contracted sale price A$/oz** | **Value of committed sales $'000** |
|---|---|---|---|
| Within one year | **47,988** | **1,859** | **89,200** |
| Later than one but not later than five years | **43,200** | **1,788** | **77,220** |
| Total | **91,188** | **1,825** | **166,420** |

The physical gold delivery contracts are settled by the physical delivery of gold as per the contract terms. The contracts are accounted for as sales contracts with revenue recognised once gold has been delivered to the counterparties. The physical gold delivery contracts are considered to sell a non-financial item and therefore do not fall within the scope of AASB 139 *Financial Instruments: Recognition and Measurement.* Hence, no derivatives have been recognised in respect of these contracts.

### (d) Contingencies

The Group had guarantees outstanding at 30 June 2018 totalling $1,311,000 (2017: $1,281,000) which have been granted in favour of various third parties. The guarantees primarily relate to environmental and rehabilitation bonds at the various mine sites.

### 25 Events occurring after the reporting period

On 29 August 2018, the Company announced a fully franked final dividend of 2 cents per share to be paid on 27 September 2018.

On 3 July 2018, the Company announced that it had entered into tenement purchase and joint venture agreements (the JV Agreements) with three entities owned and controlled by Mark Creasy (Creasy Group). The group of tenements, to be called the Southern Hills tenements, are contiguous to the Nova Mining Lease and cover approximately 1,100km$^2$ of highly prospective Fraser Range geology over the primary gravity ridge west and southwest of Nova.

Following the execution of and pursuant to the JV Agreements, the Company paid the Creasy Group $21,000,000 in July 2018 to earn a 70% managing interest in the Southern Hills tenements. The $21,000,000 purchase price comprised a cash payment of $5,275,000 and the issue of $15,725,000 in shares in Independence Group NL at an issue price equal to the 20-day volume weighted average price to 28 June 2018.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years, other than as stated elsewhere in the financial report.

## Other information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but are not considered critical in understanding the financial performance or position of the Group.

### 26 Share-based payments

The Group provides benefits to employees (including executive directors) of the Group through share-based incentives. Information relating to these schemes is set out below.

#### (a) Employee Incentive Plan

The Independence Group NL Employee Incentive Plan (EIP) was approved by shareholders at the Annual General Meeting of the Company in November 2016. The EIP incorporates both broad based equity participation for eligible employees as well as key executive incentive schemes designed to provide long-term incentives to senior management (including executive directors) to deliver long-term shareholder returns.

The EIP comprised the following schemes during the current financial year:

- Long-term incentive (LTI) - performance rights;
- Service rights; and
- Employee share ownership award.

**LTI - Performance Rights**

Under the LTI scheme, participants are granted share rights which will only vest if certain performance conditions are met and the employees are still employed by the Group at the end of the vesting period. Participation in the LTI scheme is at the Board’s discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

***Equity settled awards outstanding***

Set out below are summaries of share rights granted under the LTI scheme:

### 26 Share-based payments (continued)

**Equity settled awards outstanding (continued)**

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Number of share rights | Weighted average fair value at grant date | Number of share rights | Weighted average fair value at grant date |
| Outstanding at the beginning of the year | **1,648,285** | **2.00** | 1,352,123 | 1.91 |
| Rights issued during the year | **1,246,722** | **2.46** | 589,967 | 2.26 |
| Rights vested during the year | **-** | **-** | (220,353) | 2.14 |
| Rights lapsed during the year | **(622,637)** | **2.34** | (73,452) | 2.14 |
| Rights cancelled during the year | **(229,751)** | **2.22** | - | - |
| Outstanding at the end of the year | **2,042,619** | **2.14** | 1,648,285 | 2.00 |

***Fair value of share rights granted***

The fair value of the share rights granted during the year ended 30 June 2018 are determined using a trinomial tree which has been adopted by the Boyle and Law (1994) node alignment algorithm to improve accuracy, with the following inputs:

| Fair value inputs | CEO | Senior management | Other employees |
|---|---|---|---|
| Grant date | 24 November 2017 | 29 September 2017 | 29 September 2017 |
| Vesting date | 1 July 2020 | 1 July 2020 | 1 July 2020 |
| Share price at grant date | 4.40 | 3.46 | 3.46 |
| Fair value estimate at grant date | 3.09 | 2.41 | 2.41 |
| Expected share price volatility (%) | 52 | 52 | 52 |
| Expected dividend yield (%) | 1.14 | 1.45 | 1.45 |
| Expected risk-free rate (%) | 1.90 | 2.12 | 2.12 |

The share-based payments expense included in profit or loss for the year totalled $3,266,876 (2017: $1,147,168).

***Vesting of share rights***

Vesting of the performance rights granted to executive directors and executives during the year is based on two equally weighted performance hurdles as follows:

- Relative TSR; and
- Absolute TSR.

*Relative TSR*

The relative TSR scorecard for the three year measurement period will be determined based on a percentile ranking of the Company's TSR results relative to the TSR of each of the companies in the peer group over the same three year measurement period.

The peer group is to comprise the constituents of the S&P ASX 300 Metals and Mining Index.

The vesting schedule of the performance rights subject to relative TSR testing is as follows:

| Relative TSR performance | Level of vesting |
|---|---|
| Less than 50th percentile | Zero |
| Between 50th and 75th percentile | Pro-rata straight line percentage between 50% and 100% |
| 75th percentile or better | 100% |

## 26 Share-based payments (continued)

### Vesting of share rights (continued)

The Company's TSR performance for share rights issued during the current financial year will be assessed against the following members of the S&P ASX 300 Metals and Mining Index:

| Peer companies | |
|---|---|
| * Beadell Resources Ltd | * Silver Lake Resources Ltd |
| * Alacer Gold Corp | * Ausdrill Ltd |
| * MACA Ltd | * Regis Resources Ltd |
| * Orocobre Ltd | * Resolute Mining Ltd |
| * Saracen Mineral Holdings Ltd | * Westgold Resources Ltd |
| * St Barbara Ltd | * Galaxy Resources Ltd |
| * Dacian Gold Ltd | * OceanaGold Corp |
| * BHP Billiton Ltd | * Pilbara Minerals Ltd |
| * Western Areas Ltd | * Alumina Ltd |
| * Rio Tinto Ltd | * Evolution Mining Ltd |
| * Newcrest Mining Ltd | * Sims Metals Management Ltd |
| * Iluka Resources Ltd | * Magnis Resources Ltd |
| * Syrah Resources Ltd | * Lynas Corp Ltd |
| * Sandfire Resources Ltd | * Fortescue Metals Group Ltd |
| * OZ Minerals Ltd | * Perseus Mining Ltd |
| * Northern Star Resources Ltd | * Gold Road Resources Ltd |
| * Metals X Ltd | * South32 Ltd |
| * BlueScope Steel Ltd | * Doray Minerals Ltd |
| * Mineral Resources Ltd | |

*Absolute TSR*

The absolute TSR scorecard for the three year measurement period will be determined based on an increase in absolute TSR of the Company over the three year measurement period.

The vesting schedule of the performance rights subject to absolute TSR testing is as follows:

| Absolute TSR performance | Level of vesting |
|---|---|
| 10% per annum return | 3% |
| Above 10% per annum and below 20% per annum return | Straight line pro-rata between 33% and 100% |
| Above 20% per annum return | 10% |

### Service rights - short-term incentive scheme

Under the Group's short-term incentive (STI) scheme, Executives and selected employees receive 50% of the annual STI achieved in cash and 50% in the form of rights to deferred shares in Independence Group NL (referred to as service rights). The service rights are granted following the determination of the STI for the performance year and vest in two equal tranches. The first tranche of 50% vests on the 12 month anniversary of the STI award date, and the second tranche of 50% vests on the 24 month anniversary of the STI award date.

The service rights automatically convert into one ordinary share each on vesting at an exercise price of nil. The Executives and employees do not receive any dividends and are not entitled to vote in relation to the service rights during the vesting period. If an Executive or employee ceases to be employed by the Group within the vesting period, the service rights will be forfeited, except in circumstances that are approved by the Board on a case-by-case basis.

The number of rights to be granted is determined based on the 5 day VWAP of the Company's shares after release of the Independence Group NL financial statements.

Set out below are summaries of movements in service rights during the year:

## 26 Share-based payments (continued)

**Vesting of share rights (continued)**

**Service rights - short-term incentive scheme (continued)**

| | 2018 | |
|---|---|---|
| | **Number of share rights** | **Weighted average fair value** |
| Outstanding at the beginning of the year | **-** | **-** |
| Rights issued during the year | **423,357** | **3.51** |
| Rights vested during the year | **(99,560)** | **3.51** |
| Rights lapsed during the year | **(33,595)** | **3.51** |
| Outstanding at the end of the year | **290,202** | **3.51** |

**Employee Share Ownership Award**

In accordance with the terms of the EIP, the Employee Share Ownership Award (ESOA) provides for shares to be issued by the Company to employees for no cash consideration. All employees (excluding executive directors, senior management and other employees entitled to participate in the LTI scheme and non-executive directors) who have been continuously employed by the Group for a period of at least three months prior to 1 July are eligible to participate in the ESOA.

Under the ESOA, eligible employees may be granted up to $1,000 worth of fully paid ordinary shares in Independence Group NL annually for no cash consideration. The number of shares issued to participants in the scheme is the offer amount divided by the weighted average price at which the Company's shares are traded on the Australian Securities Exchange for the 20 days up to and including the date of grant.

| | **2018 Number** | 2017 Number |
|---|---|---|
| Number of shares issued under the plan to participating employees | **76,452** | 48,443 |

Each participant was issued with shares worth $1,000 based on the weighted average market price of $3.61 (2017: $3.97).

The performance rights will not be subject to any further escrow restrictions once they have vested to the employees.

***Share trading policy***

The trading of shares issued to participants under the Company's EIP is subject to, and conditional upon, compliance with the Company's employee share trading policy.

***Non-executive Directors***

The EIP permits non-executive directors to be eligible employees and therefore to participate in the plan. It is not currently intended that non-executive directors will be issued with performance rights under the EIP and any such issue would be subject to all necessary shareholder approvals.

### (b) Recognition and measurement

***Equity-settled transactions***

The fair values of equity settled awards are recognised in share-based payments expense, together with a corresponding increase in share-based payments reserve within equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined with the assistance of a valuation software using a trinomial tree which has been adopted by the Boyle and Law (1994) node alignment algorithm to improve accuracy. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Independence Group NL (market conditions).

## 26 Share-based payments (continued)

### (b) Recognition and measurement (continued)

***Equity-settled transactions (continued)***

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at the reporting date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award is treated as if it was a modification of the original award, as described in the previous paragraph.

Upon the settlement of equity settled share awards, the balance of the share-based payments reserve relating to those rights and awards is transferred to share capital. The dilutive effect, if any, of outstanding rights is reflected as additional share dilution in the computation of diluted earnings per share.

## 27 Related party transactions

### (a) Transactions with other related parties

No dividends were paid by wholly-owned subsidiaries to Independence Group NL during the year (2017: $33,000,000). Any such amounts are eliminated on consolidation for the purposes of calculating the profit of the Group for the financial year.

Loans were made between Independence Group NL and certain entities in the wholly-owned group. The loans receivable from controlled entities are interest-free and repayable on demand.

### (b) Key management personnel

**Compensation of key management personnel**

| | **2018<br>$** | 2017<br>$ |
|---|---|---|
| Short-term employee benefits | **4,335,929** | 4,278,428 |
| Post-employment benefits | **245,536** | 302,954 |
| Long-term benefits | **62,033** | 70,196 |
| Share-based payments | **1,357,043** | 709,746 |
| | **6,000,541** | 5,361,324 |

Detailed remuneration disclosures are provided in the remuneration report on pages 46 to 62.

## 28 Parent entity financial information

### (a) Summary financial information

The following information relates to the parent entity, Independence Group NL, at 30 June.

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Balance sheet** | | |
| Current assets | **183,409** | 82,428 |
| Non-current assets | **1,900,297** | 2,005,009 |
| Total assets | **2,083,706** | 2,087,437 |
| | | |
| Current liabilities | **80,027** | 75,790 |
| Non-current liabilities | **153,744** | 204,385 |
| Total liabilities | **233,771** | 280,175 |
| | | |
| Net assets | **1,849,935** | 1,807,262 |
| | | |
| **Equity** | | |
| Contributed equity | **1,879,094** | 1,878,469 |
| Reserves | | |
| Acquisition reserve | **-** | 3,142 |
| Hedging reserve | **464** | (66) |
| Share-based payments reserve | **13,340** | 10,698 |
| Accumulated losses | **(42,963)** | (84,981) |
| Total equity | **1,849,935** | 1,807,262 |

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Profit for the year | **50,612** | 45,598 |
| Other comprehensive income for the period | **531** | 1,256 |
| Total comprehensive income for the year | **51,143** | 46,854 |

### (b) Guarantees entered into by the parent entity

The parent entity has no unsecured guarantees in respect of finance leases of subsidiaries (2017: $nil).

There are cross guarantees given by Independence Group NL, Independence Long Pty Ltd, Independence Nova Holdings Pty Ltd and Independence Nova Pty Ltd as described in note 29. No deficiencies of assets exist in any of these companies.

### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

### (d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any outstanding contractual commitments for the acquisition of property, plant and equipment at 30 June 2018 or 30 June 2017.

## 28 Parent entity financial information (continued)

### (e) Recognition and measurement

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### *(i) Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries entities are accounted for at cost in the financial statements of Independence Group NL.

#### *(ii) Tax consolidation legislation*

Independence Group NL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Independence Group NL, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Independence Group NL also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Independence Group NL for any current tax payable assumed and are compensated by Independence Group NL for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Independence Group NL under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

## 29 Deed of cross guarantee

Independence Group NL, Independence Long Pty Ltd, Independence Nova Holdings Pty Ltd and Independence Nova Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (as amended) issued by the Australian Securities and Investments Commission.

### (a) Consolidated statement of profit or loss and other comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the Legislative Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Independence Group NL, they also represent the 'extended closed group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2018 of the closed group consisting of Independence Group NL, Independence Long Pty Ltd, Independence Jaguar Pty Ltd, Independence Nova Holdings Pty Ltd and Independence Nova Pty Ltd.

## 29 Deed of cross guarantee (continued)

**(a)** Consolidated statement of profit or loss and other comprehensive income (continued)

| *Consolidated statement of profit or loss and other comprehensive income* | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Revenue from continuing operations | **777,935** | 421,861 |
| Other income | **2,600** | - |
| Mining, development and processing costs | **(241,302)** | (146,135) |
| Employee benefits expense | **(88,795)** | (64,740) |
| Share-based payments expense | **(3,267)** | (1,147) |
| Fair value movement of financial investments | **(587)** | 4,362 |
| Depreciation and amortisation expense | **(234,845)** | (85,740) |
| Exploration costs expensed | **(22,695)** | (17,155) |
| Royalty expense | **(30,489)** | (14,391) |
| Ore tolling expense | **(8,776)** | (9,606) |
| Shipping and wharfage expense | **(19,787)** | (12,092) |
| Borrowing and finance costs | **(10,302)** | (1,005) |
| Impairment of exploration and evaluation expenditure | **-** | (492) |
| Impairment and forgiveness of loans to subsidiaries | **(21,718)** | 793 |
| Acquisition and other integration costs | **-** | (3,910) |
| Other expenses | **(9,465)** | (11,037) |
| **Profit before income tax** | **88,507** | 59,566 |
| Income tax expense | **(36,711)** | (18,802) |
| **Profit after income tax for the period** | **51,796** | 40,764 |
| **Other comprehensive income** | | |
| *Items that may be reclassified to profit or loss* | | |
| Effective portion of changes in fair value of cash flow hedges, net of tax | **1,784** | 241 |
| Other comprehensive income for the period, net of tax | **1,784** | 241 |
| **Total comprehensive income for the period** | **53,580** | 41,005 |

| *Summary of movements in consolidated retained earnings* | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Retained earnings (accumulated losses) at the beginning of the financial year | **5,846** | (17,317) |
| Profit for the year | **51,796** | 40,764 |
| Dividends paid | **(11,736)** | (17,601) |
| Transfer from acquisition reserve | **3,142** | - |
| **Retained earnings at the end of the financial year** | **49,048** | 5,846 |

**(b) Consolidated balance sheet**

Set out below is a consolidated balance sheet as at 30 June 2018 of the closed group consisting of Independence Group NL, Independence Long Pty Ltd, Independence Nova Holdings Pty Ltd and Independence Nova Pty Ltd.

## 29 Deed of cross guarantee (continued)

### (b) Consolidated balance sheet (continued)

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | **136,276** | 35,215 |
| Trade and other receivables | **81,238** | 56,354 |
| Inventories | **45,247** | 22,900 |
| Financial assets at fair value through profit or loss | **22,376** | 15,339 |
| Derivative financial instruments | **1,990** | 657 |
| **Total current assets** | **287,127** | 130,465 |
| **Non-current assets** | | |
| Receivables | **29,485** | 4 |
| Property, plant and equipment | **14,140** | 22,726 |
| Mine properties | **1,250,298** | 1,409,430 |
| Exploration and evaluation expenditure | **34,600** | 39,850 |
| Deferred tax assets | **203,995** | 247,576 |
| Investments in controlled entities | **161,581** | 161,581 |
| Investments in joint ventures | **343,416** | 311,457 |
| **Total non-current assets** | **2,037,515** | 2,192,624 |
| **TOTAL ASSETS** | **2,324,642** | 2,323,089 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Trade and other payables | **107,284** | 66,495 |
| Borrowings | **56,226** | 56,226 |
| Derivative financial instruments | **-** | 965 |
| Provisions | **5,324** | 15,259 |
| **Total current liabilities** | **168,834** | 138,945 |
| **Non-current liabilities** | | |
| Borrowings | **84,589** | 140,815 |
| Derivative financial instruments | **-** | 251 |
| Provisions | **41,528** | 52,916 |
| Deferred tax liabilities | **86,816** | 92,398 |
| **Total non-current liabilities** | **212,933** | 286,380 |
| **TOTAL LIABILITIES** | **381,767** | 425,325 |
| **NET ASSETS** | **1,942,875** | 1,897,764 |
| **EQUITY** | | |
| Contributed equity | **1,879,094** | 1,878,469 |
| Other reserves | **14,733** | 13,449 |
| Retained earnings | **49,048** | 5,846 |
| **TOTAL EQUITY** | **1,942,875** | 1,897,764 |

### 30 Remuneration of auditors

The auditor of Independence Group NL is BDO Audit (WA) Pty Ltd.

| | **2018** **$** | 2017 $ |
|---|---|---|
| *Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:* | | |
| Audit and review of financial statements | **189,500** | 165,500 |
| Other services in relation to the entity and any other entity in the consolidated Group | **20,500** | 37,338 |
| | **210,000** | 202,838 |

### 31 Summary of significant accounting policies

#### (a) New and amended standards and interpretations adopted by the Group

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The Group has not elected to early adopt any new standards or amendments during the current financial year.

#### (b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

| **Title of standard** | **Nature of change** | **Impact** | **Mandatory application date/ Date of adoption by group** |
|---|---|---|---|
| AASB 15 *Revenue from Contracts with Customers* | The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.<br><br>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.<br><br>The standard permits either a full retrospective or a modified retrospective approach for the adoption. | This standard is not expected to have a material impact on the Group's financial statements and disclosures. | Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption<br><br>Expected date of adoption by the group: 1 January 2018. |

## 31 Summary of significant accounting policies (continued)

### (b) New standards and interpretations not yet adopted (continued)

| | | | |
|---|---|---|---|
| AASB 16 (issued February 2016) *Leases* | AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases.<br><br>There are some optional exemptions for leases with a period of 12 months or less and for low value leases.<br><br>Lessor accounting remains largely unchanged from AASB 117. | To the extent that the entity, as lessee, has significant leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments.<br><br>Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years.<br><br>Operating cash flow and free cash flow will likely increase due to the lease repayments being classified as finance cash flows.<br><br>There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.<br><br>The Group is currently assessing the potential impact of the adoption of this standard. Work undertaken to date in preparedness for compliance with the new standard has commenced and includes the identification and analysis of the many potential contracts that are likely to contain a lease (as newly defined). The range of relevant contracts will potentially include mining services, drill rig hire, logistics, power generation and property leases. | Mandatory for financial years commencing on or after 1 January 2019, but available for early adoption<br><br>Expected date of adoption by the group: 1 January 2019. |

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 31 Summary of significant accounting policies (continued)

### (c) Other significant accounting policies

#### *(i)* ***Business combinations***

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

#### *(ii)* ***Impairment of assets***

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

# DIRECTORS’ DECLARATION
## 30 JUNE 2018

In the Directors' opinion:

(a) the financial statements and notes set out on pages 66 to 125 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 29 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 29.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

Peter Bradford
Managing Director

Perth, Western Australia
Dated this 28th day of August 2018

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

# INDEPENDENT AUDITOR'S REPORT

To the members of Independence Group NL

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Independence Group NL (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Carrying Value of Mine Properties

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
Refer to Note 14 of the financial statements, for disclosure over the mine properties asset.
The carrying value of mine properties is impacted by various key estimates and judgements in particular:
<ul>
<li>Ore Reserves and estimates;</li>
<li>Amortisation rates;</li>
<li>Capitalisation and attribution of mining costs; and</li>
<li>Life of mine average stripping ratio.</li>
</ul>
The Group is also required to assess for indicators of impairment at each reporting period. The assessment of impairment indicators in relation to the mine assets requires management to make significant accounting judgements and estimates which includes discount rates, commodity price and Ore reserve estimates.
This is a key audit matter due to the quantum of the asset and the significant judgement involved in management's assessment of the carrying value of mine properties.
</td><td>
Our work included, but was not limited, to the following procedures:
<ul>
<li>Reviewing management's amortisation models, including agreeing key inputs to supporting information;</li>
<li>Assessing the competency and objectivity of, and work performed by, management's experts in respect of the ore reserve estimates;</li>
<li>Assessing management's judgements over capitalisation of development costs of underground mining at Nova, and whether the recognition of the deferred stripping assets was consistent with the requirements of IFRIC 20 for Tropicana;</li>
<li>Evaluating and challenging management's assessment of indicators of impairment under the Australian Accounting Standards for the mining assets by:
<ul>
<li>Comparing the carrying amount of the Group's net assets against the market capitalisation, both as at 30 June 2018, and subsequent movements;</li>
<li>Considering commodity price assumptions at 30 June 2018, including forecasts;</li>
<li>Reviewing board and sub-committee meeting minutes, and holding discussions with key management, including non-finance personnel; and</li>
<li>Assessing economic indicators for impacts on appropriate discount rates.</li>
</ul></li>
</ul>
We also assessed the adequacy of related disclosures in Note 14 to the financial statements.
</td></tr>
</table>

## Valuation of Inventory

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| We consider accounting for inventory to be a key audit matter because of the:<br>• Quantitative significance of the inventory balance;<br>• Complexity involved in determining inventory quantities on hand due the assumptions used such as grades, volumes and densities;<br>• Significant judgement in applying an appropriate costing methodology in accordance with the Group's accounting policy and estimates for calculating stockpiles and concentrate on hand;<br>• Judgemental aspect of the carrying amount of the non-current stockpile at Tropicana; and<br>• Significant judgements made in determining net realisable value, including estimating the future sales price of commodities, less any estimated costs to complete production.<br>Refer to Note 9 for the detailed disclosures which include the related accounting policies, including a description of the major estimates management are required to make. | Our work included but was not limited to the following procedures:<br>• Testing the controls over the appropriate allocation of costs to ensure that they are absorbed into inventory accurately;<br>• Reconciling ore stockpile and concentrate inventory balances held at 30 June 2018 to supporting documentation;<br>• Verifying the physical inputs included in the cost models as at 30 June 2018 to stockpile survey and technical reports;<br>• Assessing the competence and objectivity of the experts used by management in the preparation of stockpile surveys;<br>• Assessing the methodology applied by management to record all appropriate costs into the calculation of inventories on hand; and<br>• Testing the net realisable value by assessing management's calculation including:<br>  ◦ Future commodity pricing;<br>  ◦ Expected cost to complete; and<br>  ◦ In the case of the non-current stockpile at Tropicana, a review of management's plans to blend the low grade stockpile with future high grade production over several years.<br>We also assessed the adequacy of related disclosures in Note 9 to the financial statements. |

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 46 to 62 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Independence Group NL, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien

Director

Perth, 28 August 2018

# ADDITIONAL ASX INFORMATION

The following additional information not shown elsewhere in this report is required by ASX Limited in respect of listed companies only. This information is current as at 10 August 2018.

## 1. SHAREHOLDING

a. Distribution of shareholders

| RANGE | TOTAL HOLDERS | UNITS | % OF ISSUED CAPITAL |
|---|---|---|---|
| 1 – 1,000 | 3,624 | 1,326,881 | 0.22 |
| 1,001 – 5,000 | 2,904 | 7,553,086 | 1.28 |
| 5,001 – 10,000 | 1,013 | 7,625,774 | 1.29 |
| 10,001 – 100,000 | 997 | 25,445,362 | 4.31 |
| 100,001 – Over | 126 | 548,379,590 | 92.89 |
| **Total** | **8,664** | **590,330,693** | **100** |

b. The number of shareholders holding less that a marketable parcel of fully paid ordinary shares is 1,155.

c. The Company has received the following notices of substantial shareholding (Notice):

| SUBSTANTIAL SHAREHOLDER | RELEVANT INTEREST PER THE NOTICE – NUMBER OF SHARES |
|---|---|
| Ausbil Investment Management Limited | 30,311,742 |
| Commonwealth Bank of Australia | 35,735,668 |
| T. Rowe Price Associates, Inc. | 48,341,790 |
| FIL Limited | 50,715,214 |
| Mark Creasy and Creasy Group entities | 95,562,917 |

d. Voting rights: The voting rights of the fully paid ordinary shares are one vote per share held.

## 2. TWENTY LARGEST HOLDERS OF ORDINARY SHARES

| ORDINARY SHAREHOLDERS | NO. OF SHARES HELD | PERCENTAGE HELD |
|---|---|---|
| 1 J P MORGAN NOMINEES AUSTRALIA LIMITED | 151,222,403 | 25.62 |
| 2 HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED | 137,807,620 | 23.34 |
| 3 NATIONAL NOMINEES LIMITED | 46,724,222 | 7.91 |
| 4 CITICORP NOMINEES PTY LIMITED | 43,580,087 | 7.38 |
| 5 YANDAL INVESTMENTS PTY LTD | 30,966,218 | 5.25 |
| 6 FRASERX PTY LTD | 13,415,188 | 2.27 |
| 7 BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C> | 13,046,455 | 2.21 |
| 8 YANDAL INVESTMENTS PTY LTD | 12,500,000 | 2.12 |
| 9 PONTON MINERALS PTY LTD | 12,046,611 | 2.04 |
| 10 FREE CI PTY LTD | 10,964,531 | 1.86 |
| 10 LAKE RIVERS GOLD PTY LTD | 10,964,531 | 1.86 |
| 12 BNP PARIBAS NOMS PTY LTD <DRP> | 8,820,257 | 1.49 |
| 13 HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED <NT-COMNWLTH SUPER CORP A/C> | 5,103,994 | 0.86 |
| 14 PERTH SELECT SEAFOODS PTY LTD | 2,837,200 | 0.48 |
| 15 CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C> | 2,405,097 | 0.41 |
| 16 UBS NOMINEES PTY LTD | 2,360,655 | 0.40 |
| 17 PERTH SELECT SEAFOODS PTY LTD | 2,166,800 | 0.37 |
| 18 XNI PTY LTD | 2,013,329 | 0.34 |
| 19 UBS NOMINEES PTY LTD | 1,881,464 | 0.32 |
| 20 MR KENNETH JOSEPH HALL <HALL PARK A/C> | 1,847,830 | 0.31 |
| **Top 20 holders of Independence Ordinary Share Class (Total)** | **512,674,492** | **86.85** |
| **Total Remaining Holders Balance** | **77,656,201** | **13.15** |

## 3. UNQUOTED SECURITIES

IGO has 1,481,734 performance rights and 284,678 service rights on issue. The number of beneficial holders of performance rights and service rights are 64 and 28 respectively.

# IMPORTANT DATES

Please note that the dates below are subject to change.
Please check the IGO website nearer the time to confirm dates.

## 2018

| | |
|---|---|
| **29 October 2018** | September Quarterly Activities Report |
| **29 October 2018** | Investor Webcast |
| **23 November 2018** | Annual General Meeting to be held in Perth, Western Australia |

## 2019

| | |
|---|---|
| **31 January 2019** | December Quarterly Activities Report |
| **31 January 2019** | Investor Webcast |
| **18 February 2019** | Half Yearly Financial Statements |
| **18 February 2019** | Investor Webcast |
| **29 April 2019** | March Quarterly Activities Report |
| **29 April 2019** | Investor Webcast |
| **31 July 2019** | June Quarterly Activities Report |
| **31 July 2019** | Investor Webcast |

# GLOSSARY OF TERMS

| | |
|---|---|
| AC | air core usually in the context of drilling or drill holes |
| AGAA | AngloGold Ashanti Australia |
| Ag | silver |
| Au | gold |
| BCM | bulk cubic metres |
| Co | cobalt |
| Cu | copper |
| EBITDA | Underlying Earnings Before Interest, Tax, Depreciation and Amortisation |
| EM | electromagnetic |
| EM conductors | electromagnetic conductors returned from EM surveys |
| FLEM | Fixed-Loop electromagnetic |
| HPGR | High Pressure Grinding Rolls |
| HPM | high precious metal |
| IGO | Independence Group NL |
| LTIFR | lost time injury frequency rate per million hours worked |
| MLEM | moving-loop electromagnetic surveys |
| Mt | million metric tonnes |
| Mtpa | million tonnes per annum |
| NPAT | Net Profit After Tax |
| Ni | nickel |
| oz | ounce |
| RC drilling | reverse circulation drilling |
| t | metric tonnes |
| Tropicana Operation | Tropicana Gold Mine that is 30% owned by the Company and 70% owed by AngloGold Ashanti under the TJV agreement |
| TJV | Tropicana Joint Venture that is 30% owned by the Company and 70% owed by AngloGold Ashanti |
| Zn | zinc |
| $ | Australian dollars. All currency amounts in this report are Australian Dollars unless otherwise stated |
| $M | million Australian dollars |

## 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.

## CASH COSTS

All cash costs quoted include royalties and net of by-product credits unless otherwise stated

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.

## CURRENCY

All currency amounts in this report are Australian Dollars unless otherwise stated.

## ALL-IN SUSTAINING COSTS (AISC) PER OUNCE OF GOLD SOLD

IGO reports All-in Sustaining Costs (AISC) per ounce of gold sold in AUD 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 27th June 2013 and is available from the World Gold Council's website.

# COMPANY DIRECTORY

## DIRECTORS

**PETER BILBE**
Non-Executive Chairman

**PETER BRADFORD**
Managing Director and CEO

**DEBRA BAKKER**
Non-Executive Director

**PETER BUCK**
Non-Executive Director

**GEOFFREY CLIFFORD**
Non-Executive Director

**KEITH SPENCE**
Non-Executive Director

**NEIL WARBURTON**
Non-Executive Director

## MANAGEMENT

**PETER BRADFORD**
Managing Director and CEO

**KEITH ASHBY**
Head of SHEQ & Risk

**KATE BARKER**
Legal Counsel

**MATT DUSCI**
Chief Operating Officer

**ANDREW EDDOWES**
Head of Corporate Development

**JOANNE MCDONALD**
Company Secretary & Head of Corporate Affairs

**SAM RETALLACK**
Head of People & Culture

**IAN SANDL**
General Manager Exploration

**SCOTT STEINKRUG**
Chief Financial Officer & Joint Company Secretary

## PERTH OFFICE

Suite 4, Level 5
South Shore Centre
85 South Perth Esplanade
South Perth WA 6151

**POSTAL**
PO Box 496
South Perth WA 6951

| | |
|---|---|
| Telephone | +61 8 9238 8300 |
| Facsimile | +61 8 9238 8399 |
| Email | contact@igo.com.au |
| Website | www.igo.com.au |

## EXTERNAL AUDITOR

**BDO AUDIT (WA) PTY LTD**
38 Station Street
Subiaco, WA 6008
AUSTRALIA
Office +61 8 6382 4600

## SHARE REGISTRY

**COMPUTERSHARE INVESTOR SERVICES PTY LIMITED**
Level 11,
172 St Georges Terrace
Perth WA 6000

| | |
|---|---|
| Telephone | 1300 850 505 (within Australia),<br>+61 3 9415 4000 (outside Australia) |
| Facsimile | +61 3 9473 2500 |
| Email | www.investorcentre.com/contact |
| Web | www.computershare.com |

## SHARES

**LISTED ON AUSTRALIAN SECURITIES EXCHANGE (ASX)**
ASX code: IGO
Shares on issue: 590,330,693 ordinary shares

## WEBSITE

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available at minimum cost to the Company. All ASX releases, investor presentations, financial statements and other information are available on our website.

**www.igo.com.au**

**CAUTIONARY NOTES AND DISCLAIMER**

This annual report has been prepared by Independence Group NL ("IGO") (ABN 46 092 786 304). It should not be considered as an offer or invitation to subscribe for or purchase any securities in IGO or as an inducement to make an offer or invitation with respect to those securities in any jurisdiction. This annual report contains general summary information about IGO. The information, opinions or conclusions expressed in the course of this presentation should be read in conjunction with IGO's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available on the IGO website. No representation or warranty, express or implied, is made in relation to the fairness, accuracy or completeness of the information, opinions and conclusions expressed in this presentation.

This annual report includes forward looking information regarding future events, conditions, circumstances and the future financial performance of IGO. Often, but not always, forward looking statements can be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue" and "guidance", or other similar words and may include statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs. Such forecasts, projections and information are not a guarantee of future performance and involve unknown risks and uncertainties, many of which are beyond IGO's control, which may cause actual results and developments to differ materially from those expressed or implied. Further details of these risks are set out below. All references to future production and production guidance made in relation to IGO are subject to the completion of all necessary feasibility studies, permit applications and approvals, construction, financing arrangements and access to the necessary infrastructure. Where such a reference is made, it should be read subject to this paragraph and in conjunction with further information about the Mineral Resources and Ore Reserves, as well as any Competent Persons' Statements included in periodic and continuous disclosure announcements lodged with the ASX. Forward looking statements only apply at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information IGO does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

There are a number of risks specific to IGO and of a general nature which may affect the future operating and financial performance of IGO and the value of an investment in IGO including and not limited to economic conditions, stock market fluctuations, commodity demand and price movements, access to infrastructure, timing of environmental approvals, regulatory risks, operational risks, reliance on key personnel, reserve and resource estimations, native title and title risks, foreign currency fluctuations and mining development, construction and commissioning risk. The production guidance in this presentation is subject to risks specific to IGO and of a general nature which may affect the future operating and financial performance of IGO.

The information in this annual report that relates to Exploration Results is extracted from the ASX announcements released on 26 July 2018 entitled '2018 Mineral Resources and Ore Reserves Update' and 18 September 2017 entitled 'Lake Mackay JV – Grapple Prospect Drilling Update' and for which Competent Person's consents were obtained. The Competent Person's consents remain in place for subsequent releases by the Company of the same information in the same form and context, until the consent is withdrawn or replaced by a subsequent report and accompanying consent.

The information in this annual report that relates to Mineral Resources or Ore Reserves is extracted from the Mineral Resource and Ore Reserve Statement released to the Australian Securities Exchange on 26 July 2018 and for which Competent Person's consents were obtained. The Competent Person's consents remain in place for subsequent releases by the Company of the same information in the same form and context, until the consent is withdrawn or replaced by a subsequent report and accompanying consent.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original ASX announcements released on 26 July 2018 and 18 September 2017 and, in the case of estimates or Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the original ASX announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original ASX announcement.

igo.com.au