



MAJOR MOVE INTO LITHIUM

Company/ASX Code	IGO LIMITED
AGM date	Thursday 18 November 2021
Time and location	12 noon AWST The Melbourne Hotel, 33 Milligan St, Perth
Registry	Computershare
Webcast	Hybrid meeting using Lumi
Poll or show of hands	Poll on all items
Monitor	Derek Miller/John Campbell
Pre AGM Meeting?	Yes with new Chair Michael Nossal

Please note any potential conflict as follows: An individual(s) (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

Summary of issues for meeting

IGO is now moving from a gold and base metal focus to a clean energy focus (nickel, copper, cobalt and lithium), selling its gold operating asset to achieve this. This has taken IGO to a new significant area of downstream lithium processing with an experienced Chinese partner.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

IGO is a diversified mining company with its head office in Perth and most of its operations in WA. It has expanded over the last 12 years from a small exploration company to a gold and nickel producing company with a market cap of \$7billion. This has been achieved mainly by the acquisition of Sirius Resources to gain control of the Nova nickel/copper /cobalt deposit, and operating a mine there successfully for 4 years. IGO has also been a 30% partner in the Tropicana gold mine for over 8 years but during FY21 sold its share in Tropicana to Regis Resources for \$889 million, showing a profit on the sale of \$385m.

IGO has now done a “transformational” transaction to form a new lithium joint venture with Tianqi Lithium Corporation of Sichuan in China, using the funds from the Tropicana sale and a capital raising of \$766million. The transaction delivers to IGO:

- 1) A 24.99% indirect interest in the Greenbushes Lithium mine . The other owners are Tianqi Lithium’s indirect 26% ownership and Albemarle, a US chemical manufacturing company owning the remaining 49%. The JV therefore holds 51% of the Greenbushes mine , which is the world’s largest high grade lithium mine that has many years of production history as a tin and tantalite mine.

2) A 49% interest in the Tianqi Kwinana lithium hydroxide plant which will produce 50k tonnes per year of lithium hydroxide when duly commissioned. One of the two lines is being commissioned now. The plant is expandable to 100ktpa.

Tianqi Lithium controls 46% of global lithium production and owns a 24% stake in SQM a Chilean lithium producer.

In the four years since the Nova nickel operation (100% IGO) reached nameplate ore production, costs per unit of production have reduced and throughput tonnage maintained or increased. Grades of nickel, copper and cobalt were reduced slightly in FY2021 but prices for these metals improved, giving IGO a segment operating profit of \$263m compared to \$182m in FY20. As mentioned, IGO sold its interest in the Tropicana gold mine as at 31 May 2021, leaving it with an operating profit for the 11 months to that date of \$67m as against \$98m for 12 months in FY20 – operating results for FY21 had been expected to be poorer than FY20 as investments were made in a significant cutback to provide access to future ore sources from the open pit, while underground mining was ramping up.. The profit on sale of \$385m is in addition to the operating result.

IGO continues an active exploration program now for base metals, primarily nickel and copper. Exploration expenditure in 2021 was \$65m, similar to previous years. Half of this was in the Fraser Range adjacent to Nova, and the rest was in the Paterson Range near Telfer, in the Kimberley region and at Lake Mackay in the NT. IGO is focussed on what it terms ‘belt scale’ projects which maximise the success of discovering another major ore body ie another Nova. So far, IGO appears to be unsuccessful and in previous years has tried several mergers/takeovers which were not successful, until the Tianqi transaction recently – in that respect at least it is truly transformational.

In common with other mining companies IGO has a portfolio of shares in other, mostly small, exploration companies. Details are not disclosed in the Annual Report, but are understood to include Panoramic, Mincor, Buxton Resources, Encounter Resources, Galileo Mining, and Prodigy Gold.

Governance and culture

The Board has a majority of independent directors and meets all ASA governance guidelines. IGO's culture is firmly focussed on safety, employees and the local communities and the environment, and this is emphasised in the Annual Report. By moving into lithium and divesting its gold asset, IGO is taking steps to move to its goal of being a business 100% focused on clean energy metals.

Financial performance

IGO had total revenue and other income of \$918.7m which is above FY20's \$892.4m. NPAT was \$164m compared to \$155million last year before adding the profit on sale of Tropicana of \$385m , making total profit for this year of \$549 million.

IGO had two revenue producing streams during the year,

1) Nova nickel operation produced concentrates containing 29kt nickel, 13kt copper and 1084t cobalt again achieving design capacity as it did in the 2 previous years. Cash nickel costs were \$1.85 per pound of payable nickel compared to \$2.41 in the previous year. A very good performance and the lowest cost per ton for any nickel/copper/cobalt mine in Australia.

2) Tropicana gold project was sold to Regis Resources Limited in May for total proceeds of \$889m and a profit of \$385m. IGO had 11 months of production for 110koz of gold.

Key events

The 'Transformational Transaction' to form a new lithium J/V with Tianqi Lithium, discussed above was the major event of 2021. The Long nickel mine, which was sold to Mincor in 2019 was mostly paid for in Mincor shares at \$0.45. IGO purchased more shares in a capital raising. IGO has a substantial paper profit on these transactions.

Key Board or senior management changes

There have been some significant Board changes. Peter Bilbe, who resigned as Chairman as at 30 June, retires at the AGM, and is not seeking re-election. He was appointed to the Board in 2009 and appointed Chairman in 2010 and ASA is grateful to him for his leadership and time given to us over those years. He was succeeded as chair by Michael Nossal, a Melbourne based mining executive with appropriate experience at Newcrest and other companies.

In December Dr Xiaoping Yang was appointed a non-executive director. She is a chemical engineer with 30 year career with BP, mainly in China.

ASA focus issue

IGO complies with ASA guidelines with respect to focus issues. It conducted a \$446 million institutional placement and a \$320 million 1 for 8.5 accelerated non-renounceable entitlement offer in Dec20-Jan21, of which the placement and institutional component (\$256 million) was underwritten, to raise funds for the Tianqi transaction.

Summary

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	549	155	76	53	17
Underlying EBITDA (\$m)	474	460	341	339	151
Share price (\$)	7.63	4.87	4.72	5.14	3.51
Dividend (cents)	5	14	4	2	2
Simple TSR (%)	57.7	3.5	Minus 6.2	64.1	Minus 3.4
EPS (cents)	80.86	26.5	12.9	9	2.9
CEO total remuneration, actual (\$m)	2.80	1.47	1.76	0.98	0.98

For FY21, the CEO's total actual remuneration was **30 times** the Australian Full time Adult Average Weekly Total Earnings \$93,444 (based on May 2021 data from the Australian Bureau of Statistics).

Resolution 1	Re-election of Keith Spence as a Director
ASA Vote	For

Summary of ASA Position

Mr Spence was appointed to the board in 2014 and is the chair of IGO's sustainability committee. He is an oil and gas industry veteran having had an executive career with Shell and Woodside and being a past chair of NOPSEMA, the Australian government regulatory body for the industry. He is chair of Santos Ltd and Base Resources.

Resolution 2	Election of Michael Nossal as a Director
ASA Vote	For

Summary of ASA Position

Mr Nossal was appointed to the board in December 2020 and is a mining industry executive with 35 years' experience in gold and base metals and industrial minerals. He has held executive leadership positions in companies such as Newcrest Mining, MMG and WMC Resources and is currently Non-Executive Chair of Norgold plc.

Resolution 3	Election of Xiaoping Yang as a Director
ASA Vote	For

Summary of ASA Position

MS Xiaoping Yang was appointed to the board in December 2020. She is a chemical engineer with 30 years' experience in the energy and petrochemical industry with direct experience in solar, hydrogen and energy storage technologies.

Resolution 4	Adoption of Remuneration Report
ASA Vote	Against

Summary of ASA Position

The MD's remuneration package for FY21 was structured as follows before the board exercised discretion to provide an additional cash bonus of \$300,000:

	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	0.870	33.3%	0.870	33.3%
STI - Cash	0.435	16.7%	0.435	16.7%
LTI – service rights	0.435	16.7%	0.435	16.7%
LTI – performance rights	0.870	33.3%	0.870	33.3%
Total	2.610	100.0%	2.610	100.0%

Variable pay forms a smaller percentage of the total remuneration for KMP other than the MD. The cash short term incentive and the service rights components of KMP remuneration are determined by a performance scorecard against criteria under the headings health, safety, environment & community, people & culture, growth & strategy, production optimisation, and financial performance with an overlay of board discretion. Whilst the IGO remuneration structure has no ‘target’ and ‘maximum opportunity’ parameters as such, it does have gates which need to be passed if any STI or service rights are to be awarded for that part of the scorecard - eg no safety, health, environment or community component if there has been fatality, permanent disabling injury or material environmental breach.

In FY21, KMP achieved 71.8% of the scorecard criteria and would therefore have been eligible for a cash bonus and for allocation of service rights for this percentage of their target STI, or about \$1.8m for the KMP group. However, the board decided that the scorecard should be determined as a 100% result to reflect the delivery of outstanding results in a difficult environment requiring a consistent and cohesive response from the KMP group and awarded total STI of \$2.53m representing a discretionary increase of about \$750,000 in the STI total.

In addition, the board decided to make a further discretionary cash bonus to those individuals ‘who contributed to the delivery of the transformational Tropicana and Tianqi transactions and the debt and equity funding’. The total cost of this discretionary cash bonus was \$2m of which \$1,050,000 was paid to KMP group members.

As noted above, Mr Bradford was deemed to have achieved 100% of his scorecard of KPI’s in FY21 and was awarded an STI of \$435,000 cash. He was awarded a further \$300,000 cash bonus as part of the above \$2m discretionary bonus. If shareholders approve, he will also be awarded \$435,000 in service rights – these vest if he remains employed as to 50% on 1 September 2022, and as to the remaining 50% on 1 September 2023. In addition, shareholders approved his LTI performance shares valued at \$870,000 at last year’s AGM which will vest as at 30 June 2023 if four financial hurdles are satisfied, each applying to 20% of the award – relative total shareholder reward (TSR), absolute TSR, growth in reserves, and EBITDA margin – and two non-financial hurdles applying to 10% of the award – climate change and people and culture performance. Resolutions 5 and 6 on the agenda seek approval for the FY21 service rights as above and his LTI performance rights for FY22 for the same value subject to similar hurdles.

Our major concerns with the remuneration structure are as follows:

- The discretionary nature of the topping-up of the scorecard element of STI by approximately \$750,000 and the award of a discretionary cash bonus of \$2m to executives involved in carrying through the Tropicana and Tianqi transactions. Whilst accepting that performance has been good and that the transactions seem appropriate steps in IGO's journey to its goal of a business 100% focussed on clean energy materials, there is a long way to go to seeing the Tianqi transaction as a successful step along that route.
- The three-year appraisal period for the LTI – the FY20 LTI is to be appraised with respect to TSR as at 30 June 2022. We believe that to align with retail shareholder expectations, long-term incentives should have a 4-year appraisal period as a minimum.

Our other concerns with the remuneration structure are relatively minor, being that there is no mandatory cancelling of LTI vesting if TSR is negative (this being at board discretion) and that relative TSR allows vesting if IGO's TSR is at the median of the comparator group – ASA prefers vesting to commence only if TSR is above the median of comparator companies.

These concerns should be viewed in the context of a remuneration structure designed to retain staff at IGO in face of competition from other mining sector entities. The three-year appraisal period for LTI awards is the yard-stick in many other such entities. The remuneration structure applies to a larger group of management staff in addition to the key management personnel listed in the report. Overall, we believe the remuneration plan for IGO KMP to be fair and reasonable as per its design, but we disagree with exercise of board discretion in the foregoing manner and we believe that IGO, now it is in the ASX200 and moving to the upper end of that group, should be applying 'big company' parameters and changing its LTI to a 4-year appraisal period.

Resolution 5	Issue of 44,892 service rights to the managing director, Mr Peter Bradford
ASA Vote	For

Summary of ASA Position

Approval is sought to grant Mr Bradford 44,892 service rights in respect of his short-term incentive for FY21. The number of share rights was determined by dividing his non-cash scorecard entitlement totalling \$435,000 by the average value of IGO shares in the week after publication of its FY21 annual report, being \$9.69 per share. Half of the share rights will vest if Mr Bradford remains employed on 1 September 2022 and the other half on 1 September 2023, subject to the rules explained in the notice of meeting. As indicated under resolution 4 above, we believe the remuneration plan is generally fair and reasonable and hence support the issue of the service share rights.

Resolution 6	Issue of 106,724 performance rights to the managing director, Mr Peter Bradford
ASA Vote	For

Summary of ASA Position

Approval is sought to grant Mr Bradford 106,724 performance rights in respect of his long-term incentive for FY22. The number of share rights was determined by dividing his entitlement to performance shares being the amount of his annual fixed remuneration, \$870,000, by the average value of IGO shares in a 20-day period before publication of its FY21 results, being \$9.37 per share. Entitlement to these performance rights will be tested as at 30 June 2024 against the 6 hurdles as noted in our comments under resolution 4 and subject to the rules as explained in the notice of meeting. As indicated under resolution 4, we believe the remuneration plan is generally reasonable but would prefer to see the appraisal period for the performance rights extended from 3 to 4 years. However, we recognise the reasons given by IGO and accept the proposed share rights allocation.

Resolution 7	Amendment to terms of the remuneration plan relating to performance shares
ASA Vote	For

Summary of ASA Position

The FY21 Performance Rights contain a number of vesting conditions, including relating to Reserve Growth Per Share and EBITDA Average Margin over the three-year measurement period. IGO has identified minor clarifications which are required to both of these vesting condition hurdles to ensure that they operate as intended in practice, and appropriately incentivise and reward the holders of the Performance Rights for the achievement of outcomes that generate shareholder value. The amendments for which approval is requested are somewhat in the nature of housekeeping items and are fully set out in the explanatory memorandum to the notice of meeting. The performance rights plan applies to a wide range of employees as well as the KMP and ASX rules require shareholder approval as the performance rights are deemed to be options.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- *makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- *shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.