



PLANNED OPERATION AT TWO KEY MINES ACHIEVED

Company/ASX Code	IGO Limited
AGM date	Wednesday 18 November 2020
Time and location	12 noon AWST, The Melbourne Hotel, 33 Milligan St, Perth (hybrid meeting also online using Lumi software)
Registry	Computershare
Webcast	Hybrid meeting also online using Lumi software
Poll or show of hands	Poll on all items
Monitor	John Campbell/ Derek Miller
Pre AGM Meeting?	Yes, with Chair Peter Bilbe

An individual involved in the preparation of this voting intention has a shareholding in this company.

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. It has expanded over the last 12 years from a small exploration company to a company with a market cap of \$2,650m. This has been achieved largely by the acquisition of Sirius Resources to gain control of the Nova nickel/copper/cobalt deposit. IGO has successfully commissioned the mine and has now been operating it for 3 years, achieving planned production levels of 1.5m tonnes pa.

IGO continues an active exploration program for base metals and gold. It located gold prospects in a remote area east of Western Australian Goldfields over 20 years ago and formed a joint venture with AngloGold Ashanti in 2002. The JV (30% IGO) located and developed the Tropicana mine and now produces close to 500,000oz gold pa (100%); IGO has announced that it is looking at whether it should sell, spin off or retain its interest in Tropicana.

IGO tells us that it is focussed on finding what it refers to as belt-scale mines, an example of which would be what they conceptually refer to as “Nova 2.0” that delivers the next 10 year step change in mine life. Since finding gold at Tropicana, and despite a significant annual spend on exploration, it has been unsuccessful in bringing any of its prospects to the definitive feasibility study stage. Over recent years, it has also endeavoured to further grow by mergers and acquisition of operating mines. Efforts to take over Panoramic Resources were unsuccessful and, after taking a substantial holding in New Century Zinc (NCZ), it sold its holding quickly. In both cases, further analysis of these companies’ projects indicated they did not meet IGO investment criteria.

IGO maintains a portfolio of shares in other companies valued at \$107m at year-end, without disclosing any details in its annual report of what these investments are or why they are held. However, we understand they include significant holdings in New Century Resources of \$28M,

Panoramic of \$2M and ~\$65M of investments in exploration JVs and partnerships including Buxton Resources, Encounter Resources, Galileo Mining, and Prodigy Gold. Also included in this is \$13M of Mincor Resources to whom IGO sold its Long nickel mine last year.

Governance and culture

The board has a majority of independent directors and meets all of ASA's governance guidelines. IGO's culture is firmly focussed on safety, employees, the community and the environment and this is emphasised in the Annual Report - which indicates that shareholders get a look-in too. Until October 2020, Mark Creasy, with a 13% stake in IGO, had board representation through Neil Warburton; he resigned recently indicating a desire to focus on other interests.

Financial performance

IGO had total revenue and other income of \$892m which is well above last year of \$793m and NPAT was \$155m compared to \$76m last year.

IGO had 2 revenue-producing operations during FY20:

1. Nova nickel operation produced concentrates containing 30,436t nickel, 13,772t copper and 1,142t cobalt, achieving design capacity both FTY19 and FY20. Nickel cash costs including royalties were \$2.41 per payable pound of nickel compared to \$2.07 last year. This is the lowest cost per tonne for any Ni/Cu/Co mine in Australia.
2. Tropicana gold project, of which IGO owns 30%, is managed by AngloGold Ashanti. IGO's share of production was 141,169oz (155,452oz last year) at an AISC cost of \$1,171 per oz (\$951 last year). Development of the Boston Shaker underground mine continued throughout the year and first commercial production was achieved in September 2020. The projected AISC for FY21 is expected to increase to between \$1730/oz and \$1860/oz because there will be a temporary reduction in the availability of open cut ore while new cutbacks are being developed. This will result in more of the large stockpile of low-grade ore being processed than in previous years. Production is expected to return to between 450 – 500koz in FY22 and FY23 with the AISC returning to more normal levels.

Exploration is a key focus of the company - exploration expenditure was \$65m in FY20 and this is to be maintained in FY21. The main area of exploration is the Fraser Range and especially near Nova mine. An additional significant area added this year was the Paterson Range in WA through new joint ventures. Some small exploration continues in the Kimberleys, two prospects in the Northern Territory, one in South Australia, and one in Greenland.

Key events

At the 2019 AGM, shareholders approved the company's transition from No Liability to limited status and its change of name from Independence Group Ltd to 'IGO'; this became effective in January 2020.

The unsolicited takeover of Panoramic Resources to gain control of the Savannah nickel mine in the Kimberley region was withdrawn after due diligence raised issues with the mine.

The Long nickel mine, which was sold to Mincor in FY19, was mostly paid for in Mincor shares at \$0.45. Mincor shares have near doubled since. In June IGO purchased an additional \$13m of Mincor shares in a capital raising.

After taking a substantial stake in New Century Zinc (NCZ) at \$0.15 per share, IGO sold out very quickly, after establishing that its Goro nickel mine in New Caledonia did not meet its investment criteria. Goro is a laterite nickel mine with a long history of operating problems.

Key Board or senior management changes

It has been announced that Peter Bilbe will retire as chair on or before the 2021 Annual General Meeting scheduled for November 2021. Mr Bilbe has been a member of the Board since 2009 and has held the role of chair for nine years since July 2011. A long-serving director, Peter Clifford, retired at the 2019 AGM whilst a new non-executive director, Kathleen Bozanic, was appointed in August 2019. There were no changes in key management personnel during FY20.

ASA focus issue

IGO complies with ASA guidelines with respect to focus issues.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	155	76	53	17	-59
UPAT (\$m)	460	341	339	151	138
Share price (\$)	4.87	4.72	5.14	3.51	3.28
Dividends paid (cents)	14	4	2	2	2
TSR (%)	3.5	-6.2	64.1	-3.4	-20.7
EPS (cents)	26.5	12.9	9	2.9	-13.1
CEO total remuneration, actual (\$m)	1.47	1.76	0.98	0.98	1.03

For FY20, the CEO's total actual remuneration was 16 times (FY19 – 20 times) the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Item 2	Resolution 1 - re-election of Ms Debra Bakker as a Director
ASA Vote	For

Summary of ASA Position

Ms Bakker was appointed a director in December 2016 and is an independent non-executive director. She is chair of the Audit Committee and a member of two other board committees. She is an experienced banker having had senior roles at CBA, Standard Bank and Barclays Capital. She has resource industry financier experience through her past role as head of mining and metals loan origination at CBA. She is a director of Carnarvon Petroleum Ltd.

Item 3	Resolution 2 - This resolution for the re-election of Mr Neil Warburton as a Director has been withdrawn due to his resignation.
ASA Vote	Not applicable

Item 4	Resolution 3 - adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

The MD's remuneration package for FY20 was structured as follows:

	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%

The cash short term incentive and the service rights part 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.

Mr Bradford achieved 73% of his scorecard of KPI's in FY20 and was awarded an STI of \$317,500 cash. If shareholders approve, he will also be awarded \$317,500 in service rights which were reclassified as long-term incentive in FY20 – these vest if he remains employed as to 50% on 1 September 2021, and as to the remaining 50% on 1 September 2022. In addition, shareholders approved his LTI performance shares valued at \$870,000 at last year's AGM which will vest as at 30 June 2022 if four financial hurdles are satisfied, each applying to 25% of the award – relative total shareholder reward (TSR), absolute TSR, growth in reserves, and EBITDA margin. Items 5 and 6 on the agenda seek approval for the FY20 service rights as above and his LTI performance rights for FY21 for the same value subject to similar hurdles.

Our major concern with the remuneration structure is 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. The report itself clearly sets out the remuneration structure and management’s achievement of the KPI set for the year’s incentives. Overall, we support the resolution to approve the report.

Item 5	Resolution 4 - approval of the issue of service rights to CEO/Managing Director Peter Bradford
ASA Vote	For

Summary of ASA Position

Approval is sought to grant Mr Bradford 71,188 service rights in respect of his short-term incentive for 2020. The number of share rights was determined by dividing his non-cash scorecard entitlement totalling \$317,500 by the average value of IGO shares in the week after publication of its 2020 annual report, being \$4.46 per share. Half of the share rights will vest if Mr Bradford remains employed on 1 September 2021 and the other half on 1 September 2022, subject to the rules explained in the notice of meeting. As indicated under item 4 above, we believe the remuneration plan is generally fair and reasonable and hence support the issue of the service share rights.

Item 6	Resolution 5 - approval of the grant of performance rights to CEO/Managing Director Peter Bradford
ASA Vote	For

Summary of ASA Position

Approval is sought to grant Mr Bradford 182,773 performance rights in respect of his long-term incentive for 2020. 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 2020 results, being \$4.76 per share. Entitlement to these performance rights will be tested as at 30 June 2022 against 4 financial hurdles as noted in our comments under resolution 3 and subject to the rules as explained in the notice of meeting. As indicated under resolution 3, 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.

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