INDEPENDENCE GROUP NL
ABN 46 092 786 304

12 September 2005

Australian Stock Exchange Limited
Company Announcements
Level 10, 20 Bond Street
SYDNEY NSW 2000

NO. OF PAGES : (15)

2005 FULL YEAR RESULTS AND DIVIDEND ANNOUNCEMENT

Independence Group NL is pleased to announce that a 5 cent fully franked dividend will be paid to shareholders on 3rd October 2005.

The record date to determine dividend entitlements is 22nd September 2005.

The Company is also pleased to provide herewith its Preliminary Final Report for the year ending 30 June 2005.

CHRISTOPHER BONWICK
Managing Director

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

Forward-Looking Statements: This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Independence Group NL's 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 Independence Group NL 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.

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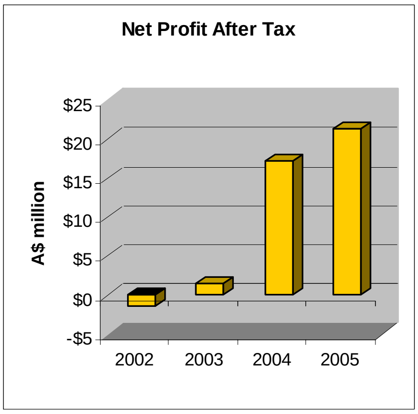
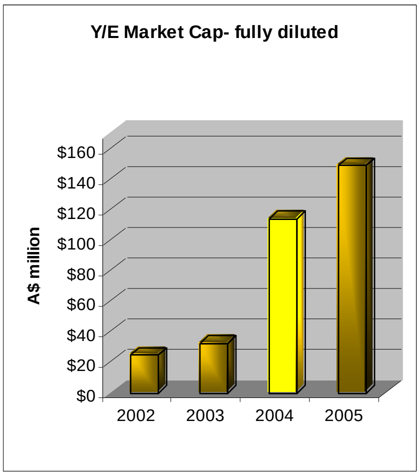
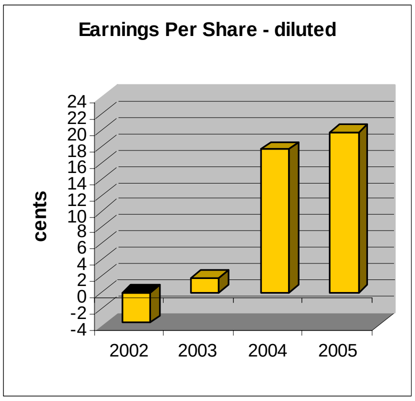




Highlights

- **Net profit after tax of $21.5 million for the full year, a 24% increase on the previous corresponding period.**
- **Strong gross cash flow from operations of $47.1 million (2003/04: $29.0 million) underpins the company's growth and shareholder returns.**
- **Dividends of 8 cents per share paid during the year. Independence advises a further dividend of 5 cents will be paid on 3rd October 2005.**
- **Solid financial position with cash and net receivables of $28.3 million (2003/04: $25.6 million) and net cash of $18.9 million (2003/04: $5.7 million) at year end.**
- **Record nickel production for the year of 8,868 tonnes (2003/04: 6,843 tonnes).**
- **Discovery of the significant high-grade McLeay deposit at the Long nickel mine, which is open in all directions.**
- **First high-grade gold drill results returned from the Tropicana project – 38m @ 3.0g/t Au (including 10m @ 7.9g/t Au) and 26m @ 2.2g/t Au (including 10m @ 4.1g/t Au).**



Full Year Ended June 30	2005	2004	% Change
Total revenue	$86.6m	$67.2m	29%
EBITDA	$39.9m	$32.9m	21%
Profit before tax	$31.1m	$24.8m	25%
Net profit after tax	$21.5m	$17.3m	24%
Cash flow from operating activities	$47.1m	$29.0m	62%
Diluted earnings per share	19.8¢	17.7¢	12%
Dividends per share paid during year	8¢	-	100%

Chris Bonwick
Managing Director

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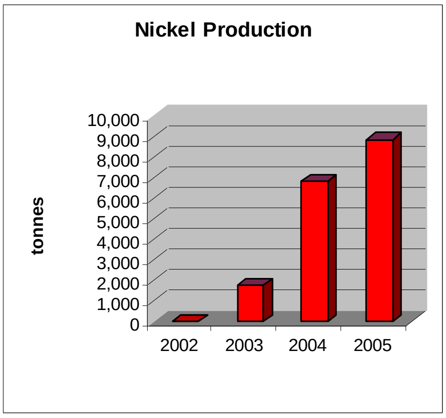

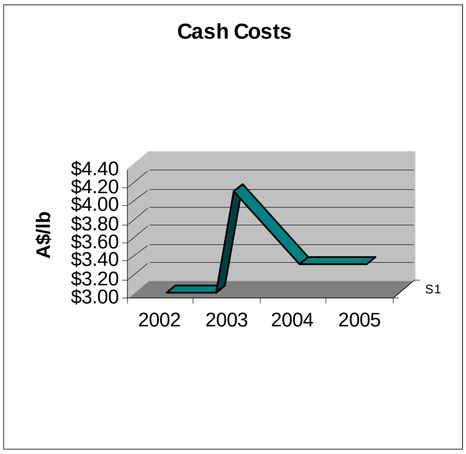

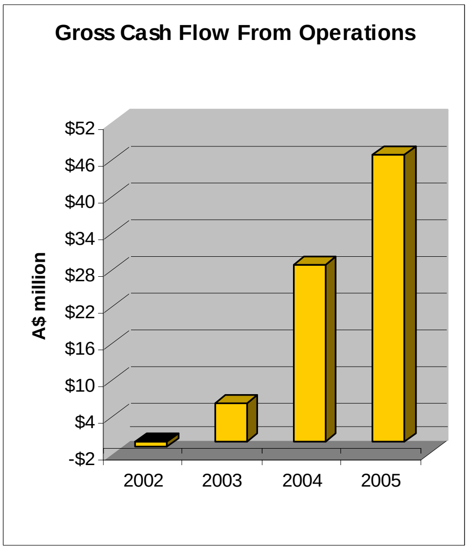

Operations

Total production for the 12 months ended June 2005 was 212,655 tonnes (2003/04: 168,992 tonnes) at an average grade of 4.17% (2003/04: 4.05%) for 8,868 tonnes of nickel metal delivered. A total of 2,316 nickel metal tonnes were mined outside or in excess of existing ore reserves, representing 26% of production for the period. The development of the Victor South ore body at the Long nickel mine contributed to the increase in tonnes mined and milled and also led to a substantial increase in overall production. The increase in production has combined with successful implementation of cost-saving initiatives to contain cash costs during the year. Cash costs for the period were held at A$3.32/lb, identical to the previous financial year, despite the increase in capital and operating costs for the industry during the period.

The ongoing program initiated in the March 2004 quarter to increase reserves at the Long nickel mine has resulted in the discovery of the McLeay deposit. This reserve expansion program is ongoing with updated reserves/resources to be included in the annual report to be published in October 2005.

The Board approved $4 million of expenditure for development of the Long South exploration decline during the year. This commenced in October and advanced 390 metres of a targeted 1,315 metres. Drilling at the Long South target has previously intersected a number of encouraging intercepts indicating potential for additional nickel sulphide mineralisation.

Financials

Total revenues for the year increased by 29% to $86.6 million (2003/04: $67.2 million). Net profit for the year of $21.5 million was driven by increased production, a focus on targeted cost reductions and strong spot nickel prices. However, the average realised nickel price decreased from A$7.52/lb in 2003/04 to A$7.41/lb in the 2005 fiscal year. The exploration and evaluation expenditure written off for the period increased by 125% to $4.4 million (2003/04 $2.0 million) Fully diluted earnings per share increased to 19.8 cents from 17.7 cents in the previous corresponding period.

Strong gross cash flow generation from operating activities of $47.1 million represented a 62% increase over the previous corresponding period. Cash and deposits stood at $24.2 million at 30 June, with an additional $4.8 million in net receivables while cash and deposits exceeded total debt by $18.9 million (2003/04 $5.7 million). In addition, Independence funded dividend distributions of $8.7 million, payment of income tax of $7.6 million (2003/04: $0) and the Matrix investment ($11.8 million) through existing cash reserves and operating cash flow and also retired $7.4 million of debt during the period.

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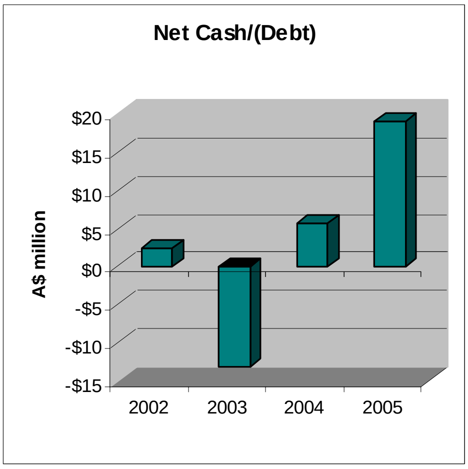
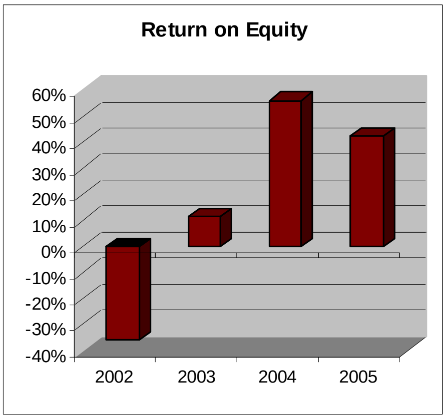
Investment



Independence is committed to its goal of establishing a substantial mid-tier diversified mining company. Consistent with this strategy was the acquisition in November 2004 of a 19% stake in Matrix Metals Limited, a copper explorer in the Mt Isa region. While Independence considers that the White Range project is economically viable, it is also considered that the financial returns and mine life can be maximised with the proving up of additional ore sources. Drilling success at the McCabe prospect during the June quarter supports the likelihood of this outcome. Matrix also has substantial upside, with the similar sized but less advanced Mt Watson project, a solid cash position of $13 million, and outstanding exploration prospectivity of its large regional tenement holding for copper, gold and uranium.

Dividends

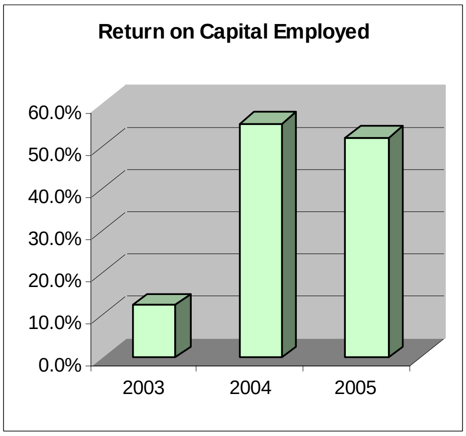


An interim dividend of 3 cents per share fully franked was paid in April 2005, following the maiden dividend of 5 cents per share declared for the 2004 full year and paid in December 2004, reflecting the strength of cash flow generation from operations.

A further dividend of 5 cents per share fully franked will be paid to shareholders on 3rd October 2005.

Outlook

Independence is focused on continuing to expand the Long nickel mine reserve base and on solid operational performance. Annual production for 2005/06 is budgeted at 240,000 tonnes at 3.5% to 4.0% for production of 8,500-9,500 tonnes of nickel metal at an estimated cash cost of A$3.50/lb-A$4.00/lb.



The initial reserve/resource calculation for the McLeay deposit at Long is expected to be completed in October 2005. The deposit currently remains open to the north, south and east.

Drilling from the Long South decline will continue throughout the year with the aim of identifying additional nickel deposits.

Exploration and evaluation of the sizable Tropicana Joint Venture project area (8,000 square kilometres) will be boosted in order to follow up previous encouraging results including the more recent high grade gold intersections of 10m @ 7.9g/t and 10m @ 4.1g/t contained within broader intercepts of 38m @ 3.0g/t Au and 26m @ 2.2g/t Au. A number of other projects where early stage work has returned encouraging exploration results will also be progressed, such as at Irwin Bore, Dalwallinu and Mt Padbury.

INDEPENDENCE GROUP NL and controlled entities
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PRELIMINARY FINAL REPORT INFORMATION – 1 JULY 2004 TO 30 JUNE 2005

LODGED WITH THE ASX UNDER LISTING RULE 4.3A.

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PRELIMINARY FINAL REPORT INFORMATION – 1 JULY 2004 TO 30 JUNE 2005 LODGED WITH THE ASX UNDER LISTING RULE 4.3A

Key Information – Results for Announcement to the Market

	$'000	% Increase/(Decrease) over Previous Corresponding Period
Revenue from ordinary activities	**86,603**	**28.8%**
Profit from ordinary activities after tax attributable to members	**21,454**	**23.8%**
Net profit attributable to members	**21,454**	**23.8%**

The previous corresponding period is the year ended 30 June 2004.

The major factors contributing to this increase are as follows:-

- **2005 monthly nickel production was significantly higher than in 2004 due to:-**
  - **mining of high-grade nickel ore from outside reserves;**
  - **more nickel ore mined from within reserve blocks, as well as at a higher grade than that anticipated in the reserve model; and**
  - **increased production levels due to mining commencing at the Victor South orebody.**
- **Nickel production for 2005 was 8,868 tonnes (2004: 6,843 tonnes).**

The Company paid dividends of 8 cents per share during the financial year. The Board has also resolved to pay a dividend of 5 cents per share on 3 October 2005.

The Company has a 50% interest in associated entity Southstar Diamonds Limited.

The accounts have been subject to audit by BDO Chartered Accountants & Advisors and the accounts are not subject to dispute or qualification.

	2005	2004
Basic earnings per share (cents)	**22.83**	**24.48**
Diluted earnings per share (cents)	**19.79**	**17.72**
Net tangible assets per share (cents)	**36.45**	**24.69**

Review of Operations

A summary of consolidated revenues and results for the year by significant industry segments is set out below:

	Segment revenues		**Segment results**	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Nickel mining	**85,766**	66,737	**36,234**	29,223
Exploration activities	**21**	20	**(5,125)**	(4,431)
Intersegment eliminations	**-**	-	**-**	-
Unallocated revenue	**816**	466	**-**	-
	86,603	67,223	**31,109**	24,792
Unallocated revenue less unallocated expenses			**-**	-
Profit from ordinary activities before income tax expense			**31,109**	24,792
Income tax expense			**(9,655)**	(7,457)
Profit from ordinary activities after income tax expense			**21,454**	17,335
Loss from extraordinary item after income tax			**-**	-
Net profit attributable to members of Independence Group NL			**21,454**	17,335

Comments on the operations and the results of those operations are set out below:

a) Nickel mining

This division consists of Lightning Nickel Pty Ltd's Kambalda operation, the Long Nickel Mine.

b) Exploration activities

Exploration expenditure is incurred throughout Australia. The exploration activities in the above segment relate to that portion of exploration expenditure incurred on projects for which the company believes no future income is likely to be generated. Expenditure on projects still in the assessment and evaluation stage are capitalised and are not included in this segment.

Profit from ordinary activities before related income tax expense increased by $6.3 million (25.5%) to $31.1 million.

Rounding of amounts to nearest thousand dollars

The company is of a kind referred to in Class Order 98/01/00 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

	Notes	2005 $'000	2004 $'000
Revenue from operating activities		**85,766**	66,737
Revenue from outside operating activities		**837**	486
Revenue from ordinary activities	**3**	**86,603**	67,223
Mining and development costs		**(13,357)**	(12,735)
Royalty expense		**(3,244)**	(1,722)
Ore tolling costs		**(6,785)**	(5,251)
Employee benefits expense		**(14,688)**	(9,699)
Depreciation and amortisation expenses		**(8,810)**	(7,541)
Borrowing costs expense		**(761)**	(1,018)
Exploration costs written off		**(4,444)**	(1,974)
Provision for mine rehabilitation		**(210)**	(207)
Other expenses from ordinary activities		**(3,195)**	(2,284)
Profit from ordinary activities before income tax expense		**31,109**	24,792
Income tax expense	**4**	**(9,655)**	(7,457)
Profit from ordinary activities after income tax expense		**21,454**	17,335
Profit from extraordinary item after related income tax expense		**-**	-
Net profit		**21,454**	17,335
Total revenues, expenses and valuation adjustments attributable to members of Independence Group NL and recognised directly in equity		**-**	-
Total changes in equity other than those resulting from transactions with owners as owners		**21,454**	17,335
			Cents
Basic earnings per share		**22.83**	24.48
Diluted earnings per share		**19.79**	17.72

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes.

Consolidated statement of financial position
for the year ended 30 June 2005

	Notes	**30 June 2005 $'000**	30 June 2004 $'000
Current assets			
Cash assets		**24,226**	18,370
Receivables		**11,992**	13,677
Inventories		**97**	11
Other	**5**	**11,990**	9,910
Total current assets		**48,305**	41,968
Non-current assets			
Receivables		**664**	514
Investments accounted for using the equity method		**564**	564
Investments in listed entities	**6**	**11,846**	-
Property, plant and equipment		**6,451**	8,252
Exploration and development expenditure		**16,498**	14,480
Deferred tax assets		**537**	657
Mine acquisition and pre-production costs		**1,424**	2,062
Other	**5**	**-**	-
Total non-current assets		**37,984**	26,529
Total assets		**86,289**	68,497
Current liabilities			
Payables		**7,900**	6,490
Interest bearing liabilities		**5,172**	7,371
Current tax liabilities		**6,647**	4,414
Other	**7**	**12,498**	10,202
Total current liabilities		**32,217**	28,477
Non-current liabilities			
Payables		**-**	-
Interest bearing liabilities		**117**	5,289
Deferred tax liabilities		**3,356**	3,686
Other	**7**	**411**	207
Total non-current liabilities		**3,884**	9,182
Total liabilities		**36,101**	37,659
Net assets		**50,188**	30,838
Equity			
Parent entity interest			
Contributed equity		**20,367**	13,777
Reserves		**-**	-
Retained profits		**29,821**	17,061
Total equity		**50,188**	30,838

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows
for the year ended 30 June 2005

	Note	2005 '000	2004 $'000
Cash flows from operating activities			
Receipts from customers		**87,520**	58,954
Payments to suppliers and employees		**(40,397)**	(29,947)
		47,123	29,007
Interest received		**762**	456
Other income		**30**	-
Borrowing costs		**(761)**	(1,394)
Income tax paid		**(7,633)**	-
Net cash inflow from operating activities		**39,521**	28,069
Cash flows from investing activities			
Payment relating to acquisitions and investments		**(11,846)**	(3)
Payments for property, plant and equipment		**(2,944)**	(3,319)
Receipts from investments - bonds		**-**	490
Payments relating to mine development		**(378)**	(2,232)
Payments for exploration and evaluation expenditure		**(8,913)**	(5,394)
Loan to associated company		**(150)**	-
Proceeds – sale of exploration properties		**-**	20
Proceeds – sale of property, plant and equipment		**-**	8
Net cash (outflow) from investing activities		**(24,231)**	(10,430)
Cash flows from financing activities			
Proceeds from issues of shares		**6,590**	1,228
Payment of dividends		**(8,653)**	-
Proceeds from borrowings		**-**	11,335
Repayment of borrowings		**(7,371)**	(15,873)
Net cash inflow from financing activities		**(9,434)**	(3,310)
Net increase in cash held		**5,856**	14,329
Cash at the beginning of the reporting period		**18,370**	4,041
Effects of exchange rate changes on cash		**-**	-
Cash at the end of the reporting period		**24,226**	18,370

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

Note 1. Basis of preparation of preliminary final financial report

These preliminary consolidated financial statements for the year ended 30 June 2005 have been prepared in accordance with Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous year.

Note 2. Segment information

All operations occur in one geographical segment being Australia.

Primary reporting – business segments

Year 2005	Nickel mining $'000	Exploration activities $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Revenue from external customers	**85,766**	**-**	**-**	**85,766**
Other revenue	**-**	**21**	**816**	**837**
Revenue from ordinary activities	**85,766**	**21**	**816**	**86,603**
Consolidated profit after income tax	**26,579**	**(5,125)**	**-**	**21,454**
Segment assets	**57,036**	**29,253**	**-**	**86,289**
Segment liabilities	**25,118**	**10,983**	**-**	**36,101**
Depreciation and amortisation expense	**5,937**	**2,714**	**159**	**8,810**
Other non-cash expenses	**462**	**4,444**	**27**	**4,933**

Year 2004	Nickel mining $'000	Exploration activities $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Revenue from external customers	66,737	-	-	66,737
Other revenue	-	20	466	486
Revenue from ordinary activities	66,737	20	466	67,223
Consolidated profit after income tax	21,766	(4,431)	-	17,335
Segment assets	38,585	29,912	-	68,497
Segment liabilities	36,608	1,051	-	37,659
Depreciation and amortisation expense	3,733	3,744	68	7,541
Other non-cash expenses	384	1,974	25	2,383

Note 3. Revenue

	2005 $'000	2004 $'000
Revenue from operating activities		
Sale of goods	**85,766**	66,737
Revenue from outside operating activities		
Interest	**807**	459
Other revenue	**30**	27
	837	486
Revenue from ordinary activities	**86,603**	67,223

Note 4. Income tax

	2005 $'000	2004 $'000
Income tax expense		

(a) The income tax expense for the financial year differs from the prima facie amount calculated by reference to operating profit before tax. The differences are reconciled as follows:

	2005	2004
Profit from ordinary activities before income tax expense	**21,454**	24,792
Income tax (expense)/benefit calculated at 30%	**(9,333)**	(7,437)
Tax effect of permanent differences		
Non-allowable items	**(77)**	(4)
Recognition of timing differences not previously brought to account	**-**	-
Income tax (under)/over-provided in prior years	**(245)**	(16)
Tax losses carried forward not previously brought to account	**-**	-
Income tax (expense)/benefit	**(9,655)**	(7,457)
Aggregate income tax (expense)/benefit comprises:		
Current taxation provision	**(6,647)**	(4,414)
Deferred income tax provision	**(3,355)**	(3,686)
Future income tax benefit	**537**	657
Over-provision in prior years	**-**	(14)
Income tax (expense)/benefit	**(9,465)**	(7,457)

(b) Independence Group NL and its wholly-owned subsidiaries formed a tax consolidated group on 1 July 2002. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on the same basis as if they were tax-paying entities. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head company default on its tax payment obligations. The head company of the tax consolidated group is Independence Group NL.

Note 5. Other assets

	2005 $'000	2004 $'000
Current		
Prepayments	**211**	148
Foreign exchange gain – note 9	**11,779**	9,762
	11,990	9,910

Note 6. Investments in listed entities

Investment in listed entities at cost	**11,846**	-

At the end of the period the market value of the company's investment in Matrix Metals Limited was $5,906,159 below the carrying value of the investment. The market price at the end of the financial year does not reflect the value of the assets of the company. During the year independent valuations were carried out to support the carrying value of the investment and the Board believes the investment to be fully recoverable. The investment has therefore not been written down to the current market value. As at 31 August 2005 the market value of the company's investment was $4,394,159 below the carrying value of the investment.

Note 7. Other liabilities

	2005	2004
	$'000	$'000
Current liabilities		
Foreign exchange gain – note 9	**11,779**	9,762
Provision for employee entitlements	**719**	440
	12,498	10,202
Non current liabilities		
Provision for rehabilitation	**411**	207
	411	207

Note 8. Contributed equity

	2005	2004	2005	2004
	No. of Shares	No. of Shares		
Issues of ordinary shares during the year	**'000**	'000	**$'000**	$'000
Exercise of options issued under the Independence Group NL Employee Option Plan	**1,250**	250	**434**	87
Contributing shares paid up at 10 cents each	**4,200**	2,645	**425**	267
Listed options converted at 20 cents each	**24,546**	4,187	**5,155**	860
Issue ordinary shares at 45 cents each	**1,750**	-	**788**	-
Unlisted $1.33 options partly paid	**375**	375	**38**	39
Issued and paid up capital				
Fully paid ordinary shares	**106,983**	75,237	**20,287**	13,485
Partly paid contributing shares	**3,110**	7,310	**3**	7
Fully paid listed options	**-**	24,553	**-**	246
Partly paid unlisted options	**750**	375	**77**	39
			20,367	13,777

Note 9. Foreign exchange and commodity contracts

	2005	2004
	$'000	$'000
Forward foreign exchange contracts	**11,779**	9,762
Futures commodity contracts	**(30,768)**	(46,450)
	(18,989)	(36,688)

The net fair value of forward foreign exchange contracts of $11,778,665 is recognised in the Consolidated Statement of Financial Position at 30 June 2005. The net fair value of commodity contracts at 30 June 2005 has not been recognised in the Consolidated Statement of Financial Position. The net fair value of forward foreign exchange contracts and commodity contracts are based on the exchange rate and commodity prices prevailing at 30 June 2005 and have not been discounted.

Note 10. Impact of adopting AASB equivalents to IASB standards

Independence Group NL has commenced transitioning its accounting policies and financial reporting from current Australian Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (IFRS). The Company has isolated key areas that will be impacted by the transition to IFRS. As Independence Group NL has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS (AIFRS) as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS, and is required when the Company prepares its first fully IFRS compliant financial report for the year ended 30 June 2006.

a. Presentation of Quantified Information

The following details the impact of adopting AIFRS on total equity and net profit, had those standards been applied during the financial year ended 30 June 2005.

Note 10. Impact of adopting AASB equivalents to IASB standards (continued)

Reconciliation of equity under AGAAP to that under AIFRS

	Note	Consolidated		Parent Entity	
		30 June 2005**	1 July 2004*	30 June 2005**	1 July 2004*
		$'000	$'000	$'000	$'000
Total equity under AGAAP		50,188	30,838	23,273	19,982
Adjustments to retained earnings (net of tax)					
Recognition of share-based payment expense		(985)	(339)	(985)	(339)
Recognition of restoration provision		(784)	(880)	-	-
Recognition of deferred tax asset		235	264	-	-
Adjustments to other reserves (net of tax)					
Recognition of share-based payment expense in equity		985	339	985	339
Total equity under AIFRS		49,639	30,222	23,273	19,982

* This column represents the adjustments as at the date of transition to AIFRS.
** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

Reconciliation of net profit under AGAAP to that under AIFRS

	Note	Consolidated	Parent Entity
		30 June 2005	30 June 2005
		$'000	$'000
Net profit as reported under AGAAP		21,454	5,396
AIFRS Reconciliation:			
Share-based payment expense		(646)	(646)
Adjustment to income tax expense		-	-
Net adjustment in respect of restoration provision		(109)	-
Net profit under AIFRS		20,699	4,750

b. Explanation of AIFRS affected items

Set out below are the key areas where accounting policies will change and may have an impact on the financial report of the consolidated entity:-

(i) Classification of Financial Instruments

The directors have elected to apply the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards which permits entities not to apply the requirements of AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 132 *Financial Instruments: Disclosure and Presentation* for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005. Accordingly there will be no quantitative impacts on the 30 June 2005 financial statements.

(ii) Property, Plant and Equipment

On initial adoption of AIFRS, the directors have elected to deem the fair values of plant and equipment at 1 July 2004 to be cost for accounting purposes, as permitted by the first-time adoption provisions in AASB 1.

Under the Australian equivalent to IAS 36 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the economic entity's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is possible that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. There is no material impact as a result of the adoption of this standard for the current or previous financial year.

(iii) Share Based Payments

Under AASB 2 *Share based Payments*, the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. The standard will apply to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. As a consequence, contributed equity will increase by $339 thousand and an additional employee benefit expense of $646 thousand will be recognised in profit and loss for the financial year ended 30 June 2005.

Note 10. Impact of adopting AASB equivalents to IASB standards (continued)

(iv) Income Taxes

Under the Australian equivalent to IAS *12 Income Taxes*, the Company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either profit and loss or a tax-based balance sheet. The adoption of this standard will result in an increase in contributed equity of the consolidated entity of $235 thousand in the current year.

(v) Exploration Expenditure

Under AASB 6 *Exploration for and Evaluation of Mineral Resources*, the carrying value of the Company's exploration expenditure may be affected. There is no material impact as a result of the adoption of this standard for the current or previous financial year. Under the Australian equivalent to IAS 36 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the economic entity's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is possible that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. There is no material impact as a result of the adoption of this standard for the current or previous financial year.

(vii) Provision for Rehabilitation and Mine Closure

Under AGAAP, the consolidated entity provides for the future cost of rehabilitating and closing its mine operations based on charging to costs of production on a gradual basis over the life of the economically recoverable resources. Costs are estimated on the basis of current undiscounted costs, current legal requirements and current technology.

Under AASB 1037 *Provisions, Contingent Liabilities and Contingent Assets* a provision is required to be brought to account as soon as there is a probable outflow of resources that can be measured reliably. The provision is based on the discounted cash flow of the expected future cost. The effect of this adjustment for the consolidated entity will be a decrease in retained earnings of $1,195 thousand. The existing provision will be reversed, resulting in an increase in retained earnings of $411 thousand.

(vi) Retained Earnings

With limited exceptions (refer to note (iii)), adjustments required on first-time adoption of AIFRS are recognised directly in retained earnings at the date of transition to AIFRS. The cumulative effect of these adjustments for the consolidated entity will be a decrease in retained earnings of $1,534 thousand.

c. Impact on Cash Flow Statement

There is no material effect on the cash flow of the Parent Entity or the Consolidated Entity for the current or previous financial year.