INDEPENDENCE GROUP NL
ABN 46 092 786 304

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Australian Stock Exchange Limited
Company Announcements
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SYDNEY NSW 2000

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FINANCIAL REPORT FOR YEAR ENDING 30 JUNE 2005

Independence Group NL is pleased to announce the following final audited results for the year ending 30 June 2005:

- Consolidated revenue $86.6 million (2004: $67.2 million)
- Consolidated profit before income tax $31.1 million (2004: $24.8 million)
- Consolidated profit after income tax $21.5 million (2004: $17.3 million)
- Fully diluted earnings per share after income tax 19.79 cents (2004: 17.72 cents)

Attached are the Corporate Governance Statement, Directors' Report, Financial Statements and other information required by the ASX.

The 2005 Annual Report will be completed and forwarded to members in the third week of October and the Annual General Meeting is to be held in Perth on 23 November 2005.

CHRISTOPHER BONWICK
Managing Director

PO Box 893, South Perth
Western Australia 6951
Tel: +61 8 9367 2755
Fax: +61 8 9367 3288
E-mail: contact@independencegroup.com.au
Website: www.independencegroup.com.au

The ASX Corporate Governance Council requires that the Company must disclose the extent to which it has followed best practice recommendations, identify which recommendations have not been followed and the reason for not adopting the recommendations.

The ASX Corporate Governance Council recognises that not all recommendations are appropriate for all companies and that companies should only adopt those recommendations that are suitable in each individual case.

The following is a summary of policies adopted by the Company and where appropriate, explanations of where best practice recommendations have not been applied. Implementation dates of policies are shown on the last page of this Corporate Governance Statement. The various policies and procedures were followed throughout the entire financial year.

Board Composition and Functions

Under the Company's Constitution, the Board is required to consist of at least 3 and no more than 10 directors. If the Company has 3 or more directors, one third of the directors, with the exception of the Managing Director, must retire and seek re-election at the Annual General Meeting each year.

The Board of the Company currently consists of 3 independent non-executive directors and 2 executive directors. The board includes the Managing Director (executive) and the Chairman (non-executive).

The Board composition complies with ASX recommendations, in that a majority of directors are independent. The roles of Chairman and Chief Executive Officer (or Managing Director) are not exercised by the same person, and the Board is considered to be comprised of directors with the experience and qualifications best suited to the Company's size and range of activities.

The Company has an independent Chairman (Rod Marston). The Company has followed ASX recommendations in the assessment of whether a director is considered to be "Independent". The other independent directors are John Christie and Oscar Aamodt.

Oscar Aamodt was elected to the Board on 3 August 2005. Prior to that date the Board composition did not comply with ASX recommendations.

The Board delegates responsibilities to committees, executive directors and senior management.

The Board is responsible for corporate strategy, implementation of business plans, allocation of resources, approval of budgets and capital expenditure, and the adherence to Company policies.

The Board is also responsible for compliance with the Code of Conduct, overseeing risk management and internal controls, and the assessment, appointment and removal of the Managing Director, Company Secretary and other senior management.

Directors of the Company during the financial year and information pertaining to individual directors is included in the Directors' Report.

Board members have the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense.

Director Independence

The Company has established guidelines for testing the independence of directors.

A director is considered to be independent if they satisfy certain criteria, the most significant being as follows:

- The director must be in a non-executive role where any fees payable by the Company could not be considered to make the director reliant on such remuneration. The director must have no other material contractual relationship with the Company other than as a director of the Company,
- The director is not a substantial shareholder of the Company,
- The director has not been employed in an executive capacity by the Company and has not been a principal of a material adviser or consultant to the Company within the last 3 years, and
- The director is free from any interest which could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company.

The full policy on determining the independence of directors is available in the Corporate Governance section of the Company's website.

Risk Management

The Board is responsible for the identification of significant areas of business risk, implementing procedures to manage such risks and developing policies regarding the establishment and maintenance of appropriate ethical standards to:

- ensure compliance in legal, statutory and ethical matters;
- monitor the business environment;
- identify business risk areas;
- identify business opportunities; and
- monitor systems established to ensure prompt and appropriate responses to shareholder complaints and enquiries.

The Board meets on a regular basis. The Company does not follow the ASX best practice recommendation that the Company should have an internal control function as the Board considers that the Company is not of a size or operational complexity to warrant the implementation of a separate internal control function.

The Managing Director and Company Secretary are required to state in writing to the Board that the Company has a sound system of risk management, that internal compliance and control systems are in place to ensure the implementation of Board policies, and that those systems are operating efficiently and effectively in all material respects.

Audit Committee

The Company has established an Audit Committee which is responsible for the following:

- oversee the existence and maintenance of internal controls and accounting systems, including the implementation of mandatory and non-mandatory accounting policies and reporting requirements;
- oversee the financial reporting process, including reviewing and reporting to the Board on the accuracy of all financial reports lodged with ASX which include the quarterly, half-yearly and annual financial reports;
- recommend to the Board the nomination, removal and remuneration of the external auditors; and
- review the external audit arrangements, including ensuring that any non-audit services provided do not impair auditor independence.

The Audit Committee reports to the Board and meets as required, but in any case at least twice each year. Current members are Rod Marston, John Christie and Oscar Aamodt. Rod Marston is a geologist with corporate experience. John Christie is a qualified accountant/chartered secretary and Oscar Aamodt is a chartered secretary, both having considerable financial and managerial experience. The Committee has authority to seek any pertinent information it requires from any employee or external party. Qualifications held by the individuals on the Audit Committee are included in the Directors' Report.

The Audit Committee follows ASX recommendations as the members are all independent non-executive directors. The Audit Committee membership did not comply with ASX recommendations during the year as executive directors were on the Audit Committee until 3 August 2005.

Any member of the Committee is able, and obliged, to bring any matter to the attention of the Board where the member believes the matter has not been adequately dealt with by the Committee, or is of significant importance that the Board should be informed.

The Managing Director and Company Secretary are required to state in writing to the Board that the Company's financial reports present a true and fair view of the Company's financial condition and that operational results are reported in accordance with relevant accounting standards.

The auditor of the Company is required to attend the Company's Annual General Meeting.

The Audit Committee Charter is available on the Company's website.

Hedging Committee

The Company has established a Hedging Committee to make recommendations to the Board on hedging policies and to maintain the hedging portfolio.

The members of the Hedging Committee at the date of this report are Kelly Ross and John Christie.

Procedure for the Selection of New Directors

The Company believes it is not of a size to justify having a Nomination Committee. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement.

Corporate performance is enhanced when the Board has an appropriate mix of skills and experience. The Board is evaluated before a candidate is selected to join the Board. Candidates are nominated by existing Board members and independent search consultants are also utilised if necessary. Where a director nominates a candidate for the Board, the director must disclose any pre-existing relationship with the nominee.

New directors are provided with a letter of appointment setting out their responsibilities and rights, and are provided with a copy of the Company's Constitution.

The full policy for nomination of directors is available on the Company's website.

Remuneration of Board Members

The Company's policies and procedures relating to the remuneration of board members and senior management is contained in the Remuneration Report which forms part of the Directors' Report.

Conflicts of Interest

The Board has implemented Code of Conduct and Share Trading Policies which have been designed to ensure that all directors and employees of the Company act ethically and do not use confidential information for personal gain.

These policies are available on the Company's website.

Code of Conduct

The Board is responsible for setting the tone of legal, ethical and moral conduct to ensure that the Company is considered reputable by the industry and other outside entities. This involves considering the impact of the Company's decisions on the industry, colleagues and the general community. The Code of Conduct adopted by the Company requires that all employees abide by the laws, regulations and business practices wherever the Company operates. The Board maintains an approach that preserves the integrity of any laws or regulations under which the Company operates. The Company has also put in place various internal Policies which provide internal controls to ensure employees only act within the authority given to them by the Board. This is to ensure that the Board has responsibility for any material transactions and dealings with outside parties, and that any legal, environmental and social consequences of such dealings will be properly considered before any action is taken.

The Company has an Environmental Policy which requires that all employees comply with the environmental regulations in force in the region in which work is undertaken. The Company is committed to dealing fairly and equitably with interested parties relating to environmental issues, such as landholders, governmental agencies and native title claimants.

Disclosure of Information to ASX and Investors

The Company has established policies and procedures relating to the disclosure of information to interested parties. The following policies and procedures are contained in the Corporate Governance section of the Company's website:

- Code of Conduct
- Director Independence
- Legal, Environmental & Social Responsibilities
- Remuneration Policy
- Risk Management & Internal Control Procedures
- Audit Committee
- Board and Management Responsibilities
- Compliance with ASX Disclosure Requirements
- Nomination of Directors
- Directors' and Officers' Trading in Securities
- Communication with Shareholders
- Investor Relations and Media Interaction

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2005.

Directors

The names of directors in office at any time during or since the end of the year are Rod Marston, Christopher Bonwick, Kelly Ross, John Christie and Oscar Aamodt. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. Oscar Aamodt was appointed to the Board on 3 August 2005.

Principal Activities

The principal activities of the economic entity during the financial year were mineral exploration and nickel mining.

There were no significant changes in principal activities during the financial year.

Operating Results

The consolidated profit of the economic entity after providing for income tax amounted to $21,454,117 (2004: $17,334,436).

Dividends Paid or Recommended

The Company paid a fully franked 5 cent dividend to shareholders in respect of the year ended 30 June 2004.

The Company paid a fully franked 3 cent interim dividend to shareholders in respect of the year ended 30 June 2005.

The Company has recommended that a fully franked 5 cent dividend be paid to shareholders in October 2005.

Franking credits of $3,907,003 are currently available.

Review of Operations

The economic entity focused on the Long Nickel Mine operation. The economic entity concentrated its exploration activities on various targets generated by regional exploration programs. The consolidated profit before income tax increased by 25% to $31,109,335 (2004: $24,791,916).

Nickel revenue for the year increased by 28% to $85,766,425 (2004: $66,737,138) and nickel production increased by 30% to 8,868 tonnes (2004: 6,843 tonnes).

Fully diluted earnings per share increased from 17.72 cents in 2004 to 19.81 cents in 2005. The economic entity had cash assets of $24,226 thousand (2004: $18,370 thousand) and net assets of $50,188 thousand (2004: $30,838 thousand) at the end of the financial year.

A summary of the Company's activities during the year is contained in the Exploration and Operations sections of this report.

Future Developments

The likely developments in the operations of the economic entity and the expected results of those operations in future financial years are the exploration of new and existing project areas in the search for gold, nickel, platinoids, copper and other minerals, and the production of nickel and copper from the Long Nickel Mine.

The Board anticipates that the Long Nickel Mine's cash flow will allow the economic entity to vigorously explore existing tenement interests, as well as provide the opportunity to develop any discoveries to their full potential. These expected future cash flows are subject to future nickel prices and exchange rates. The Company will also consider corporate investments or acquisition of projects should suitable opportunities arise, as well as pay regular dividends to shareholders.

Further information about likely developments in the operations of the economic entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the economic entity.

Unlisted Options

No options were granted over unissued shares during or since the end of the financial year by the Company to directors or any of the five most highly remunerated officers as part of their remuneration.

Unlisted options issued as at the date of this report are as follows:

Number	Expiry Date	Exercise Price
250,000	30/06/06	$0.45
987,500	30/09/08	$0.96
1,500,000	30/06/08	$1.33
2,250,000	30/06/08	$1.03
1,237,500	30/06/09	$1.16
250,000	30/06/09	$1.20
543,100	30/06/10	$1.16
7,018,100		

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of any other body corporate. 156,900 shares have been issued since the end of the financial year as a result of the exercise of unlisted options. Further information relating to unlisted options is included in note 7b of Additional Information for Listed Public Companies.

Information on Directors

Rod Marston	-	*Chairman (Non-executive) Age 62*
Qualifications		BSc(Hons), PhD, MAusIMM, MSEG
Tenure		Board member since 2001. Chairman since 20 August 2003.
Special Responsibilities		Dr Marston is on the Remuneration and Audit Committees.
Christopher Bonwick	-	*Managing Director (Executive) Age 46*
Qualifications		BSc (Hons), MAusIMM
Tenure		Managing Director and Board member since 2000.
Special Responsibilities		Mr Bonwick is the executive in charge of operations and corporate development.
Kelly Ross	-	*Director (Executive) Age 43*
Qualifications		CPA, Grad.Dip.CSP
Tenure		Board member since 2002.
Special Responsibilities		Ms Ross is the Company Secretary and is on the Hedging Committee.
John Christie	-	*Director (Non-executive) Age 67*
Qualifications		CPA, ACIS
Tenure		Board member since 2002.
Special Responsibilities		Mr Christie is on the Remuneration, Audit and Hedging Committees.
Oscar Aamodt	-	*Director (Non-executive) Age 59*
Qualifications		FCIS
Tenure		Board member appointed 3 August 2005.
Special Responsibilities		Mr Aamodt is on the Remuneration and Audit Committees.

Other Listed Company Directorships Held During Past 3 Years

Dr Marston was a director of Ranger Minerals Ltd for 18 years until October 2002 and an alternate director for Perilya Ltd for 2 years until May 2005. Mr Christie was a director of Ranger Minerals Ltd for 18 years until October 2002 and General Minerals Corporation for 2 years until February 2003. Mr Aamodt was a director of Abelle Limited from February 2002 until May 2003 and has been a director of Energy Metals Limited since July 2005.

Company Secretary Qualifications

The Company Secretary is Kelly Ross, who is a qualified accountant holding a Bachelor of Business(Actg) and has the designation CPA from the Australian Society of Certified Practicing Accountants. Ms Ross is a Chartered Secretary with over 20 years experience in accounting and administration in the mining industry and has been the Company Secretary of Independence Group NL for 4 years.

Meetings of Directors

During the financial year, 18 meetings of directors (including committees of directors) were held. The number of meetings attended by each director during the year is as follows:

	DIRECTORS' MEETINGS		REMUNERATION COMMITTEE		AUDIT COMMITTEE		HEDGING COMMITTEE	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Rod Marston	9	9	2	2	-	-	-	-
Christopher Bonwick	9	9	-	-	3	3	-	-
Kelly Ross	9	9	-	-	3	3	4	4
John Christie	9	9	2	2	3	3	4	4
Oscar Aamodt	-	-	-	-	-	-	-	-

Remuneration Report

Remuneration Policy and Procedures

The Company has established a Remuneration Committee to oversee the remuneration of senior executives and executive directors. At the date of this report, the Committee members were independent directors Rod Marston, John Christie and Oscar Aamodt. Mr Aamodt joined the Committee on 3 August 2005 and was therefore not a Committee member during the financial year.

The Committee reviews executive directors' and senior management's remuneration and other terms of employment annually, having regard to performance, relative industry remuneration levels, and where appropriate, the Committee seeks independent advice to ensure appropriate remuneration levels are in place.

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. The remuneration of non-executive directors is fixed to encourage impartiality, high ethical standards and independence on the Board. The available directors fees pool is $300,000 of which $194,500 is currently being utilised.

Non-executive directors may provide consulting services to the Company, which are over and above the services normally provided by a non-executive director in the performance of their duty as a member of the Board. Where the Company requests that specific projects are investigated by a non-executive director that fall outside their normal duties as a director, additional services may be charged to the Company, at a rate approved by the Board. No such services were provided during the year ending 30 June 2005.

Performance evaluations for all Board members are held annually and are undertaken with a view to comparing the performance of individual directors to the performance and growth of companies of similar size and complexity within the mining industry.

No director may be involved in setting their own remuneration or terms and conditions.

Bonuses and performance-based rewards are given where the Committee believes performance of an individual compares favourably with their peers within the industry. The objective of the reward schemes is to both reinforce the short and long term goals of the Company and to provide a common interest between management and shareholders. The following summarises the performance of the Company over the last 5 financial years:

	2001	2002	2003	2004	2005
Revenue ($ millions)	-	-	24.6	67.2	86.6
Net profit/(loss) after income tax ($ millions)	(0.2)	(1.5)	1.4	17.3	21.5
Share price at year end ($/share)	-	0.35	0.37	1.07	1.35
Dividends paid (cents/share)	-	-	-	-	8

Performance based remuneration

Short term incentives (STI)

The objective of STI is to link the creation of shareholder wealth in the short term with the remuneration of those employees who are charged with the management of the Company and are primarily responsible for its performance. The total potential STI available is set annually at a level to provide sufficient incentive to executive directors and senior managers to achieve operational targets at a cost to the Company that is reasonable in the circumstances.

For executive directors, these performance based incentives are based on Total Shareholder Return (TSR) growth for the Company compared with its peers. For senior managers, these performance based incentives are based on actual outcomes compared with budgets and Key Performance Indicators (KPI's).

TSR is used as a performance hurdle because it is recognised as one of the best measures of shareholder return. As the Company's results are subject to market conditions for its products that are outside its control, the Company's results are best judged by a comparison with its peers and not on the absolute results achieved. The TSR measure is readily comparable with similar companies.

The peer group of companies against which the Company's TSR performance is measured are Jubilee Mines NL, LionOre Mining International Ltd, Mincor Resources NL and Tectonic Resources NL. The companies included in the peer group will be reviewed each year to take account of any new Australian-based entities producing the same or similar products as those produced by the Company and to eliminate any entity that ceased to produce the same or similar products or was merged into a multi-commodity entity having no ongoing similarity to the Company.

The maximum STI payable each financial year is set by the Remuneration Committee on an individual basis after taking into account employment market conditions and the amount determined to be paid as the variable component.

The maximum amount of the STI is to be paid where the Company's TSR for the relevant period is greater than the average of the peer group. Where the Company's TSR for the relevant period is less than 50% of the peer group average no STI is payable. Between 50% and 100% a proportional amount is paid.

For senior managers the STI payment will depend on the extent to which specific operating targets set at the beginning of the year are met. The operational targets consist of a number of KPI's relevant to the individual senior manager's position.

STI payments are normally delivered as a yearly cash bonus payable in the subsequent financial year. During the year executive directors received 100% of the total allocated bonus for the 2004 year which was paid in October 2004 (C Bonwick $50,000 and K Ross $15,000).

Long term incentives (LTI) - Executives

The LTI component of the remuneration package is to reward executive directors and senior managers in a manner which aligns a proportion of their remuneration package with the creation of shareholder wealth over a longer period than the STI.

The LTI benefits are delivered in the form of options to acquire ordinary shares in the Company. The use of options that are issued with an exercise price at market price ensures that the executive director or senior manager only receives a benefit where shareholder wealth has increased though an increase in the market value of the Company's shares.

The options are issued on the basis that 25 percent of the total number issued to an executive director or senior manager will vest on each of the 4 anniversary dates following their issue. The options have a 5 year life and can be exercised at any time after they have vested. The exercise price is set at the prevailing market price of the Company's ordinary shares at the time of the issue of the options.

The options do not entitle the holder to voting or dividend rights.

Options that have not vested are cancelled if the executive director or senior manager ceases to be an employee of the Company.

The options are allocated to executive directors and senior management personnel on the basis of the incumbent's position and responsibilities on the recommendation of the Managing Director and the approval of the Board. Options issued to the Managing Director are on the recommendation of the Chairman and are approved by the Board.

All options granted to executive directors are approved in advance by shareholders.

No options were granted or issued to directors or specified executives during the year.

Long term incentives (LTI) – Non-executive directors

The LTI component of the remuneration package for non-executive directors aims to align a proportion of their remuneration package with the creation of shareholder wealth.

The LTI benefits are delivered in the form of options to acquire ordinary shares in the Company. The options are issued at 30% above market price ensuring that the non-executive director only receives a benefit where shareholder wealth has substantially increased. The options are issued on the basis that 25 percent of the total number issued will vest on each of the 4 anniversary dates following their issue. The options have a 5 year life and can be exercised at any time after they have vested.

The exercise price is set at 30% above the prevailing market price of the Company's ordinary shares at the time of the issue of the options. Non-executive directors are also required to make a non-refundable cash payment equivalent to 10% of the market price of the shares on the date of issue. This cash payment is required at the commencement of each vesting year.

The options do not entitle the holder to voting or dividend rights.

Options that have not vested are cancelled if the non-executive director ceases to be a director of the Company.

The options are allocated to non-executive directors on the recommendation of the Managing Director.

All options granted to non-executive directors are approved in advance by shareholders.

No options were granted or issued to directors during the year.

Remuneration Report (continued)

Specified Directors and Executives

The specified directors who held office during the financial year were Rod Marston (Chairman), Christopher Bonwick (Managing Director), Kelly Ross (Executive Director) and John Christie (Non-executive Director). The specified directors held office during the entire financial year.

The only person who qualified as a specified group executive during the financial year, and to whom this Remuneration Report also relates, was Tim Moran (General Manager – Long Nickel Mine). Mr Moran is employed by the Company's subsidiary Lightning Nickel Pty Ltd, and held that position for the entire financial year.

Employment Contracts

Terms and conditions of employment contracts:

i) Non-executive directors do not have employment contracts with the Company.

ii) Executive directors are employed under 2 year contracts. These contracts include provision for termination benefits of 1 month's remuneration for every year of service should the Company terminate the employment contract without cause. In all other circumstances the contracts can be terminated by either party after provision of one month's notice, in which case only accrued leave and other accrued remuneration is payable. Current employment contracts provide for base remuneration of $300,000 (Christopher Bonwick) and $185,000 (Kelly Ross). Current employment contracts expire on 31 August 2006 (Christopher Bonwick) and 31 March 2006 (Kelly Ross).

iii) Executive directors are entitled to receive cash and/or equity based bonuses in addition to the remuneration stated in their employment contracts. The Company pays any fringe benefits tax cost relating to executive directors' remuneration payments and that cost is included in the executive directors' total remuneration in the table below.

iv) The specified executive Tim Moran is employed under a 2 year contract which includes provision for 1 month's remuneration for every year of service should the Company terminate the employment contract without cause. In all other circumstances the contract can be terminated by either party after provision of one month's notice, in which case only accrued leave and other accrued remuneration is payable. The current employment contract provides for remuneration of $250,000. Mr Moran may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board.

Remuneration Paid for the Financial Year

Officers of the economic entity during the financial year received the following remuneration:

	Primary Benefits				Equity Compensation	
	Salary & Fees	Cash Bonus	Non-monetary	Superannuation	Options (v)	Total ($)
Specified directors						
R Marston (i) *Non-executive Chairman*	71,666	-	-	-	84,696	156,362
C Bonwick (ii) *Managing Director*	261,867	50,000	10,726	23,568	217,387	563,548
K Ross (ii) *Executive Director/Company Secretary*	156,107	15,000	14,980	14,050	108,693	308,830
J Christie (i) *Non-executive Director*	67,847	-	-	-	42,348	110,195
Total	557,487	65,000	25,706	37,618	453,124	1,138,935
Specified executives (iv)						
T Moran (iii) *General Manager – Long Nickel Mine*	212,858	-	3,830	19,157	20,555	256,400

(i) R Marston and J Christie were granted options at the 2003 Annual General Meeting. The options were issued on 26 November 2003. Further information relating to these options is contained in notes 5 and 30 to the Financial Statements.

(ii) C Bonwick and K Ross were granted options at the 2003 Annual General Meeting. The options were issued on 26 November 2003. Further information relating to these options is contained in notes 5 and 30 to the Financial Statements.

(iii) T Moran was issued options pursuant to the Employee Option Plan on 1 October 2002. Further information relating to these options is contained in notes 5 and 30 to the Financial Statements.

(iv) T Moran is employed by a subsidiary of the Company and his remuneration is disclosed for consolidation purposes only. The specified directors are all directors of the parent entity.

Included in total remuneration are performance based bonuses of $50,000 (Christopher Bonwick) and $15,000 (Kelly Ross). These bonuses were calculated in accordance with the short term incentive policy described above. For the financial period to which the bonuses related, the TSR of the Company was 205.56 while the average TSR for the peer group was 176.09. As the Company's TSR was greater that the average of the peer group, the executive directors were entitled to receive 100% of the STI set by the Remuneration Committee. This was all paid during the financial year and therefore no portion of the bonuses granted will be payable in future financial years.

The performance based bonuses for Christopher Bonwick and Kelly Ross are subject to an annual review by the Remuneration Committee, which also reviews annually the non-performance based remuneration levels of these executives.

The percentage of the value of remuneration for each director and executive that consists of performance based equity compensation granted during the year or performance based bonuses for the financial year was:

Name	Equity Compensation	Performance Based Bonuses
R Marston	0%	0%
C Bonwick	0%	14.4%
K Ross	0%	7.5%
J Christie	0%	0%
T Moran	0%	0%

The remaining remuneration paid is not based upon any measurable performance indicators. Non-performance based remuneration is based on relative industry remuneration levels and is set at a level designed to retain the services of the director or senior executive.

(v) Remuneration options: Granted and vested during the year

The Company uses the fair value measurement provisions of AASB 1046 "Director and Executive Disclosures for Disclosing Entities" and AASB 2 "Share-based Payments" for all options granted to directors and relevant executives, which had not vested as at 1 July 2003. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (ie. forfeitures). The following options which were granted in prior years were exercised during the year:

- 300,000 options were exercised at 34 cents each by director K Ross

- 950,000 options were exercised at 35 cents each by executive T Moran

No options were granted to directors or executives during the year.

The fair value of options issued is not recognised as an expense in the financial statements. Further information relating to the options issued by the Company during prior years is included in note 30 to the Financial Statements.

Remuneration Report (continued)

Option holdings of specified directors and specified executives

	Balance at Start of Year	Vested During Year	Granted During Year	Options Exercised	Balance at End of Year	Vested at 30 June 2005 Total	Not Exercisable	Exercisable
Specified directors								
R Marston	1,000,000	250,000	-	-	1,000,000	250,000	-	250,000
C Bonwick	1,500,000	375,000	-	-	1,500,000	375,000	-	375,000
K Ross	1,050,000	187,500	-	(300,000)	750,000	187,500	-	187,500
J Christie	500,000	125,000	-	-	500,000	125,000	-	125,000
Specified executives								
T Moran	950,000	300,000	-	(950,000)	-	-	-	-
Total	5,000,000	1,237,500	-	(1,250,000)	3,750,000	937,500	-	937,500

Share holdings of specified directors and specified executives

	Balance at Start of Year	Contributing Shares Paid Up	Remuneration Options Exercised	Net Other Change During the Year	Balance at End of Year
Specified directors					
R Marston	160,000	-	-	1,040,000	1,200,000
C Bonwick	4,053,504	2,500,000	-	(3,029,998)	3,523,506
K Ross	10,000	300,000	300,000	-	610,000
J Christie	180,000	-	-	40,000	220,000
Specified executives					
T Moran	72,029	-	950,000	(897,029)	125,000
Total	4,475,533	2,800,000	1,250,000	(2,847,027)	5,678,506

Directors' Interests in Shares and Options at the Date of this Report

Director	Ordinary Fully Paid Shares	Unlisted Options
Mr C Bonwick	3,523,506	1,500,000
Mr R Marston	1,200,000	1,000,000
Ms K Ross	610,000	750,000
Mr J Christie	220,000	500,000
Mr O Aamodt	10,000	-
TOTALS	5,563,506	3,750,000

Details of the terms and conditions for these securities are disclosed in note 24 to the Financial Statements in this report and in note 7 of Additional Information for Listed Public Companies.

Employees

The economic entity had 139 employees at the end of the financial year (2004: 101).

Indemnifying Officers or Auditor

During the financial year, the Company paid a 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 Act 2001. 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 financial year, indemnified or agreed to indemnify an officer of the Company or of any related body corporate against a liability incurred as such an officer.

The Company has not paid any premiums to indemnify or insure the auditors of the Company.

Audit Independence

The Auditor's Independence Declaration included in this report forms part of the Directors' Report. The auditor did not provide any non-audit services to the Company or the consolidated entity.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

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

Significant Changes in State of Affairs

During the year the Company received $5,155 thousand as a result of the exercise of 24,545,677 listed options, $425 thousand from the receipt of unpaid amounts on 4,200,000 contributing shares, and $1,222 thousand as a result of the exercise of 3,000,000 unlisted options.

No other significant changes in the state of affairs of the economic entity occurred during the financial year.

Environmental Issues

The economic entity's operations are subject to significant environmental regulation under the laws of the Commonwealth and various States of Australia. During the year there were no non-compliance incidents. The Environmental Policy is available in the Corporate Governance section of the Company's website.

After Balance Date Events

Since the end of the financial year the Company entered into an agreement with WMC Resources Ltd to purchase the freehold land on which the current Location 48 sub-lease is situated, as well as further ground on Location 48 and several adjoining mining leases.

The consideration for the purchase is that the Company will be liable to pay the Kambalda Royalty to Metals Exploration Limited. The royalty is payable quarterly and is calculated as 1.35% of gross nickel sales, based on the average LME Settlement Price over the quarter. The US$ royalty amount is then converted to Australian dollars using the quarter's average for the US$ Hedge Settlement Rate.

The Company also placed on deposit AU$1,500,000 with WMC Resources Ltd. This deposit is to be refunded to the Company on a pro-rata basis for the "Excess Royalty". The Excess Royalty is defined as that amount of royalty paid by the Company which exceeds AU$3,000,000 to a maximum of AU$4,500,000.

Mr Oscar Aamodt was appointed to the Board on 3 August 2005.

No other matter or circumstance has arisen since the end of the financial year which significantly affected or may significant affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Board of Directors.

R J Marston
Chairman
Dated this 12th day of September 2005.

STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Revenues from ordinary activities	2	**86,603**	67,223	**10,335**	10,724
Mining and development costs		**(13,357)**	(12,735)	-	-
Employee costs		**(14,688)**	(9,699)	**(936)**	(695)
Depreciation and amortisation expense		**(8,810)**	(7,545)	**(159)**	(68)
Rehabilitation provision		**(210)**	(207)	-	-
Borrowing cost expense	3	**(761)**	(1,309)	-	-
Royalty expense		**(3,244)**	(1,722)	-	-
Ore tolling costs		**(6,785)**	(5,251)	-	-
Exploration costs written off		**(4,444)**	(1,974)	**(3,965)**	(1,158)
Other expenses from ordinary activities		**(3,195)**	(1,989)	**(1,752)**	(956)
Profit from ordinary activities before income tax expense		**31,109**	24,792	**3,523**	7,847
Income tax benefit/(expense) relating to ordinary activities	4	**(9,655)**	(7,457)	**1,873**	771
Profit from ordinary activities after related income tax expense		**21,454**	17,335	**5,396**	8,618
Net profit attributable to members of the parent entity		**21,454**	17,335	**5,396**	8,618
Total changes in equity other than those relating from transactions with owners as owners		**21,454**	17,335	**5,396**	8,618
Basic earnings per share (cents per share)	8	**22.83**	24.48		
Diluted earnings per share (cents per share)	8	**19.79**	17.72		

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Note	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
CURRENT ASSETS					
Cash assets	9	**24,226**	18,370	**1,545**	9,791
Receivables	10	**11,992**	13,677	**209**	98
Inventories	11	**97**	11	**-**	-
Other	12	**11,990**	9,910	**-**	-
TOTAL CURRENT ASSETS		**48,305**	41,968	**1,754**	9,889
NON-CURRENT ASSETS					
Receivables	10	**664**	514	**16,097**	14,116
Tax assets	13	**537**	657	**537**	657
Investments accounted for using the equity method	14	**564**	564	**564**	564
Other financial assets	16	**11,846**	-	**11,846**	-
Property, plant and equipment	17	**6,451**	8,252	**526**	384
Exploration and development expenditure	18	**16,498**	14,480	**2,933**	2,908
Mine acquisition and pre-production costs	19	**1,424**	2,062	**-**	-
TOTAL NON-CURRENT ASSETS		**37,984**	26,529	**32,503**	18,629
TOTAL ASSETS		**86,289**	68,497	**34,257**	28,518
CURRENT LIABILITIES					
Payables	20	**7,900**	6,490	**923**	404
Interest bearing liabilities	21	**5,172**	7,371	**-**	-
Tax liabilities	22	**6,647**	4,414	**6,647**	4,414
Other	23	**12,498**	10,202	**58**	32
TOTAL CURRENT LIABILITIES		**32,217**	28,477	**7,628**	4,850
NON-CURRENT LIABILITIES					
Interest bearing liabilities	21	**117**	5,289	**-**	-
Tax liabilities	22	**3,356**	3,686	**3,356**	3,686
Other	23	**411**	207	**-**	-
TOTAL NON-CURRENT LIABILITIES		**3,884**	9,182	**3,356**	3,686
TOTAL LIABILITIES		**36,101**	37,659	**10,984**	8,536
NET ASSETS		**50,188**	30,838	**23,273**	19,982
EQUITY					
Contributed equity	24	**20,367**	13,777	**20,367**	13,777
Accumulated profits	25	**29,821**	17,061	**2,906**	6,205
TOTAL EQUITY		**50,188**	30,838	**23,273**	19,982

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS
AS AT 30 JUNE 2005

	Note	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**87,520**	58,954	**-**	600
Dividends received from subsidiary		**-**	-	**10,000**	10,000
Payments to suppliers and employees		**(40,397)**	(29,947)	**(2,512)**	(1,803)
Interest received		**762**	456	**269**	102
Borrowing costs		**(761)**	(1,394)	**-**	-
Income tax payment		**(7,633)**	-	**-**	-
Other income		**30**	-	**21**	-
Net cash provided by operating activities	28a	**39,521**	28,069	**7,778**	8,899
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(2,944)**	(3,319)	**(179)**	(343)
Payments relating to acquisition and investments		**(11,846)**	(3)	**(11,846)**	(3)
Proceeds from sale of exploration property		**-**	20	**-**	20
Proceeds from sale of property, plant and equipment		**-**	8	**-**	-
Payments relating to mine development		**(378)**	(2,232)	**-**	-
Bonds to acquire property, plant and equipment		**-**	490	**-**	-
Loans to associated company		**(150)**	-	**(150)**	-
Payments for exploration and evaluation expenditure		**(8,913)**	(5,394)	**(3,849)**	(2,638)
Net cash provided by (used in) investing activities		**(24,231)**	(10,430)	**(16,004)**	(2,964)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		**6,590**	1,228	**6,590**	1,228
Payment of dividends		**(8,653)**	-	**(8,653)**	-
Proceeds from borrowings		**-**	11,335	**2,043**	-
Repayment of borrowings		**(7,371)**	(15,873)	**-**	2,081
Net cash provided by (used in) financing activities		**(9,434)**	(3,310)	**(20)**	3,309
Net increase/(decrease) in cash held		**5,856**	14,329	**(8,246)**	9,244
Cash at beginning of year		**18,370**	4,041	**9,791**	547
Cash at end of year	9	**24,226**	18,370	**1,545**	9,791

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers the economic entity of Independence Group NL and controlled entities. Independence Group NL is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a. Principles of Consolidation

A controlled entity is any entity controlled by Independence Group NL. Control exists where Independence Group NL has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Independence Group NL to achieve the objectives of Independence Group NL. A list of controlled entities is contained in note 15 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

b. Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Independence Group NL and its wholly owned subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Independence Group NL is responsible for recognising the current and deferred tax liabilities for the tax consolidated group. The group formed an income tax consolidated group on 1 July 2002.

c. Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value or the underlying net assets of the investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting.

d. Interests in Joint Ventures

The Company's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the statements of financial performance and financial position. Details of the economic entity's interests, if any, are shown in note 14.

The Company's interests in joint venture entities, if any, are brought to account at cost using the equity method of accounting in the financial statements.

e. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value, less, where applicable, any accumulated depreciation.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use.

The useful lives for each class of depreciable assets are:

Class of Fixed Asset	Useful Life
Office furniture and equipment	3-5 years
Mine plant and equipment	2-5 years

Refer to note 1(g) for the amortisation policy applying to exploration and development costs and note 1(t) for the policy applying to the amortisation of pre-production and acquisition costs.

Recoverable Amount

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal. The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is devalued to its recoverable amount. The decrement is recognised as an expense in the statement of financial performance. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets.

f. Leased Non-Current Assets

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred. Lease incentives under operating leases are recognised as a liability.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal and the interest component of the payment. The leased asset is depreciated over its useful life.

g. Exploration and Development Expenditure and Amortisation

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A review is undertaken of each area of interest on a quarterly basis to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of development costs only when future economic benefits are established, otherwise such expenditure is classified as part of the cost of production.

Amortisation of costs are provided on the unit-of-production method with separate calculations being made for each mineral resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of the economically recoverable mineral reserves.

The net carrying value of each mine property is reviewed regularly. If this value exceeds its recoverable amount, the excess is either fully provided for or written off in the financial year in which this is determined.

h. Restoration and Rehabilitation Expenditure

Restoration and rehabilitation costs necessitated by exploration, evaluation and mining activities are charged to costs of production on a gradual basis over the life of the economically recoverable resources. These costs include the cost of revegetation, plant and waste site closure and subsequent monitoring of the environment. Costs are estimated on the basis of current undiscounted costs, current legal requirements and current technology.

i. Employee Entitlements

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

j. Cash

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

k. Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

l. Revenue

Sales revenue comprises revenue earned from the provision of products to entities outside the economic entity. Sales revenue is recognised when the product is delivered and risk has been passed to the customer.

Sales revenue represents gross proceeds receivable from the customer. Sales are initially recognised at estimated sales value when the product is delivered. Adjustments are made for variations in metal price, assay, weight and currency between the time of delivery and the time of final settlement of sales proceeds.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

m. Payables

These amounts represent liabilities for goods and services provided to the economic entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

n. Receivables

Receivables represents GST recoverable together with trade debtors and monies held on deposit. All receivables are recognised at the full value of the amount receivable.

Trade debtors represents gross sales revenue proceeds receivable from the customer. A receivable is recognised at estimated sales value when the product is delivered. Adjustments are made for variations in metal price, assay, weight and currency between the time of shipment and the time of final settlement of sales proceeds, which is 120 days following the month of delivery of the product to the customer.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision is raised where there is some doubt as to the collectability of a debt.

o. Earnings per Share

The economic entity has applied AASB 1027 *Earnings Per Share*.

Basic Earnings per Share

Basic EPS earnings are calculated using net profit or loss after income tax attributable to members of the Company.

Diluted earnings per Share

Diluted EPS earnings are calculated by adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of conversion to ordinary shares associated with dilutive potential ordinary shares, rather than the notional earnings on the funds that would have been received by the entity had the potential ordinary shares been converted.

The diluted EPS weighted average number of shares includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather than the total number of dilutive potential ordinary shares. The number of ordinary shared assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average market price.

The identification of dilutive potential ordinary shares is based on net profit or loss from continuing ordinary operations, and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of shares for each series of potential ordinary share.

Where diluted earnings per share are not dilutive, they are not disclosed.

p. Foreign Currency Transactions

Foreign currency transactions are initially converted to Australian currency at the rate of exchange ruling at the date of each transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year in the statement of financial performance.

(i) Specific Commitments

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions, are deferred to the date of the purchase or sale and included in the measurement of the purchase or sale. In the case of hedges of monetary items, exchange gains or losses are brought to account in the financial year in which the exchange rates change. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the statement of financial performance over the lives of the hedges.

When anticipated purchase or sale transactions have been hedged, actual purchases or sales which occur during the designated hedge period are accounted for as having been hedged until the amounts of those transactions in the designated period are fully allocated against the hedged amounts.

If the hedged transaction is not expected to occur as originally designated, or if the hedge is no longer expected to be effective, any previously deferred gains or losses are recognised as revenue or expense immediately. If the hedging transaction is terminated prior to its maturity date and the hedged transaction is still expected to occur as designated, deferral of any gains or losses which arose prior to termination continues and those gains or losses are included in the measurement of the hedged transaction.

(ii) General Commitments

Exchange gains or losses on other hedge transactions are brought to account in the statement of financial performance in the financial year in which the exchange rates change. Gains or costs arising on entry into hedges of general commitments are recognised as assets or liabilities at the time of entry into the hedges and are amortised over the lives of the hedges.

q. Derivatives

The economic entity is exposed to fluctuations in commodity prices and foreign exchange rates resulting from its activities. It is the economic entity's policy to use derivative financial instruments to hedge a proportion of this exposure.

Derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposure.

r. Commodity Hedging

Hedging is undertaken in order to avoid or minimise possible adverse financial or cash flow effects of movements in commodity prices. Premiums received or costs arising upon entering into forward sale, option and other derivative contracts intended to hedge specific future production, together with subsequent realised and unrealised gains or losses, are deferred until the hedged production is delivered and included in the measurement of sale.

Where a hedging transaction is terminated prior to maturity because the hedged production is no longer expected to be produced, any gains or losses are recognised in the statement of financial performance on the date of termination. If the hedging transaction is terminated prior to its maturity date and the hedged transaction is still expected to occur, deferral of any gains and losses which arose prior to termination are deferred and brought to account when the hedged transaction occurs.

If a hedge transaction relating to a commitment for the sale of a commodity is redesignated as a hedge of another specific commitment and the original transaction is still expected to occur, the gains and losses that arise on the hedge prior to this redesignation are deferred and included in the measurement of the original purchase or sale when it takes place. If the hedge transaction is no longer expected to occur, the gains and losses that arise on the hedge prior to its redesignation are recognised in the statement of financial performance at the date of the redesignation.

s. Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of costs and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average costs.

t. Mine Pre-production and Acquisition Costs

When an operation is acquired, various costs are incurred prior to operations commencing on the mine property. Acquisition Costs, such as legal expenses, financing arrangement expenses and feasibility costs, are capitalised and included in the statement of financial position (see note 19).

Prior to commencing production at a mine property, various costs are incurred to enable the commencement of mining operations, such as recruitment of staff, repair and maintenance of the site and its related equipment, and mine planning and scheduling. These Pre-production Costs are capitalised and included in the statement of financial position (see note 19).

Mine Acquisition Costs and Pre-production Costs are amortised on a unit-of-production basis, based upon the recoverable mineral reserves estimated at the time of acquisition of the mine property.

u. Royalties

Royalties are accrued and charged against earnings in the period in which the minerals are extracted.

v. Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

w. International Financial Reporting Standards

Details of the impact of the adoption of International Financial Reporting Standards are included in note 36.

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000

NOTE 2: REVENUE

Ordinary activities				
Sale of goods	**85,766**	66,737	-	-
Interest received – other parties	**807**	459	**314**	105
Dividend received from wholly-owned entity	-	-	**10,000**	10,000
Management fees	-	-	-	600
Other revenue	**30**	27	**21**	19
Total Revenue	**86,603**	67,223	**10,335**	10,724

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax has been determined after charging the following items:				
Cost of sale of goods	**38,329**	29,745	-	-
Employee entitlements provision	**279**	202	**27**	25
Borrowing costs - other entities	**761**	1,309	-	-
Amortisation of non-current assets	**5,001**	3,807	-	-
Depreciation of non-current assets	**3,809**	3,738	**159**	68
Write-off of capitalised exploration expenditure	**4,444**	1,974	**3,965**	1,158
Provision for mine restoration	**210**	207	-	-

NOTE 4: INCOME TAX EXPENSE

a. The prima facie tax on profit from ordinary activities before tax is reconciled to the income tax as follows:

Prima facie tax benefit/(expense) on profit/ loss from ordinary activities before income tax at 30%	**(9,333)**	(7,437)	**(1,058)**	(2,354)
Add: Tax effect of:				
Non-allowable items	**(77)**	(4)	**(70)**	(4)
(Under)/over provision	**(245)**	(16)	-	129
Timing differences not previously brought to account	-	-	-	-
Tax losses carried forward not previously brought to account	-	-	-	-
Impact of the Tax Consolidation System				
Initial recognition of deferred tax balance of subsidiary on implementation of tax consolidation system	-	-	-	(2,805)
Consideration payable by subsidiary in respect of transferred tax balances	-	-	-	2,805
Current and deferred taxes relating to transactions, events and balances of subsidiary in the tax consolidated group	-	-	-	(8,054)
Net income tax benefit arising under tax sharing agreement with subsidiary in the tax consolidated group	-	-	-	8,054
Non-assessable and non-deductible amounts related to transactions within the tax consolidated group	-	-	**3,000**	3,000
Income tax (expense)/benefit	**(9,655)**	(7,457)	**1,872**	771

b. Tax Consolidation

Independence Group NL and its wholly owned subsidiaries formed a tax consolidated group effective 1 July 2002. The entities have also entered a tax sharing agreement 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: DIRECTORS' AND EXECUTIVES' REMUNERATION

Remuneration Policy and Procedures

The Company has established a Remuneration Committee to oversee the remuneration of senior executives and executive directors. The Committee reviews executive directors' and senior management's remuneration and other terms of employment annually, having regard to performance, relative industry remuneration levels, and where appropriate, the Committee seeks independent advice to ensure appropriate remuneration levels are in place.

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. The remuneration of non-executive directors is fixed to encourage impartiality, high ethical standards and independence on the Board. The available directors fees pool is $300,000 of which $194,500 is currently being utilised.

Non-executive directors may provide consulting services to the Company, which are over and above the services normally provided by a non-executive director in the performance of their duty as a member of the Board. Where the Company requests that specific projects are investigated by a non-executive director that fall outside their normal duties as a director, additional services may be charged to the Company, at a rate approved by the Board. No such services were provided during the year ending 30 June 2005.

Performance evaluations for all Board members are held annually and are undertaken with a view to comparing the performance of individual directors to the performance and growth of companies of similar size and complexity within the mining industry.

No director may be involved in setting their own remuneration or terms and conditions.

Bonuses and performance-based rewards are given where the Committee believes performance of an individual compares favourably with their peers within the industry. The objective of the reward schemes is to both reinforce the short and long term goals of the Company and to provide a common interest between management and shareholders. The following summarises the performance of the Company over the last 5 financial years:

	2001	2002	2003	2004	2005
Revenue ($ millions)	-	-	24.6	67.2	86.6
Net profit/(loss) after income tax ($ millions)	(0.2)	(1.5)	1.4	17.3	21.5
Share price at year end ($/share)	-	0.35	0.37	1.07	1.35
Dividends paid (cents/share)	-	-	-	-	8

Performance based remuneration

Short term incentives (STI)

The objective of STI is to link the creation of shareholder wealth in the short term with the remuneration of those employees who are charged with the management of the Company and are primarily responsible for its performance. The total potential STI available is set annually at a level to provide sufficient incentive to executive directors and senior managers to achieve operational targets at a cost to the Company that is reasonable in the circumstances.

For executive directors, these performance based incentives are based on Total Shareholder Return (TSR) growth for the Company compared with its peers. For senior managers, these performance based incentives are based on actual outcomes compared with budgets and Key Performance Indicators (KPI's).

TSR is used as a performance hurdle because it is recognised as one of the best measures of shareholder return. As the Company's results are subject to market conditions for its products that are outside its control, the Company's results are best judged by a comparison with its peers and not on the absolute results achieved. The TSR measure is readily comparable with similar companies.

The peer group of companies against which the Company's TSR performance is measured are Jubilee Mines NL, LionOre Mining International Ltd, Mincor Resources NL and Tectonic Resources NL. The companies included in the peer group will be reviewed each year to take account of any new Australian-based entities producing the same or similar products as those produced by the Company and to eliminate any entity that ceased to produce the same or similar products or was merged into a multi-commodity entity having no ongoing similarity to the Company.

The maximum STI payable in each financial year is set by the Remuneration Committee on an individual basis after taking into account employment market conditions and the amount determined to be paid as the variable component.

The maximum amount of the STI is to be paid where the Company's TSR for the relevant period is greater than the average of the peer group. Where the Company's TSR for the relevant period is less than 50% of the peer group average no STI is payable. Between 50% and 100% a proportional amount is paid.

NOTE 5: DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

For senior managers the STI payment will depend on the extent to which specific operating targets set at the beginning of the year are met. The operational targets consist of a number of KPI's relevant to the individual senior manager's position.

STI payments are normally delivered as a yearly cash bonus payable in the subsequent financial year. During the year executive directors received 100% of the total allocated bonus for the 2004 year, which was paid in October 2004 (C Bonwick $50,000 and K Ross $15,000).

Long term incentives (LTI) - Executives

The LTI component of the remuneration package is to reward executive directors and senior managers in a manner which aligns a proportion of their remuneration package with the creation of shareholder wealth over a longer period than the STI.

The LTI benefits are delivered in the form of options to acquire ordinary shares in the Company. The use of options that are issued with an exercise price set at market price ensures that the executive director or senior manager only receives a benefit where shareholder wealth has increased though an increase in the market value of the Company's shares.

The options are issued on the basis that 25 percent of the total number issued to an executive director or senior manager will vest on each of the 4 anniversary dates following their issue. The options have a 5 year life and can be exercised at any time after they have vested. The exercise price is set at the prevailing market price of the Company's ordinary shares at the time of the issue of the options.

The options do not entitle the holder to voting or dividend rights.

Options that have not vested are cancelled if the executive director or senior manager ceases to be an employee of the Company.

The options are allocated to executive directors and senior management personnel on the basis of the incumbent's position and responsibilities on the recommendation of the Managing Director and the approval of the Board. Options issued to the Managing Director are on the recommendation of the Chairman and are approved by the Board.

All options granted to executive directors are approved in advance by shareholders.

No options were granted or issued to directors or specified executives during the year.

Long term incentives (LTI) – Non-executive directors

The LTI component of the remuneration package for non-executive directors aims to align a proportion of their remuneration package with the creation of shareholder wealth.

The LTI benefits are delivered in the form of options to acquire ordinary shares in the Company. The options are issued at 30% above market price ensuring that the non-executive director only receives a benefit where shareholder wealth has substantially increased. The options are issued on the basis that 25 percent of the total number issued will vest on each of the 4 anniversary dates following their issue. The options have a 5 year life and can be exercised at any time after they have vested.

The exercise price is set at 30% above the prevailing market price of the Company's ordinary shares at the time of the issue of the options. Non-executive directors are also required to make a non-refundable cash payment equivalent to 10% of the market price of the shares on the date of issue. This cash payment is required at the commencement of each vesting year.

The options do not entitle the holder to voting or dividend rights.

Options that have not vested are cancelled if the non-executive director ceases to be a director of the Company.

The options are allocated to non-executive directors on the recommendation of the Managing Director.

All options granted to non-executive directors are approved in advance by shareholders.

No options were granted or issued to directors during the year.

Specified Directors and Executives

The specified directors who held office during the financial year were Rod Marston (Chairman), Christopher Bonwick (Managing Director), Kelly Ross (Executive Director) and John Christie (Non-executive Director). The specified directors held office during the entire financial year.

The only person who qualified as a specified group executive during the financial year, and to whom this note also relates, was Tim Moran (General Manager – Long Nickel Mine). Mr Moran is employed by the Company's subsidiary Lightning Nickel Pty Ltd, and held that position for the entire financial year.

Employment Contracts

Terms and conditions of employment contracts:

i) Non-executive directors do not have employment contracts with the Company.

ii) Executive directors are employed under 2 year contracts. These contracts include provision for termination benefits of 1 month's remuneration for every year of service should the Company terminate the employment contract without cause. In all other circumstances the contracts can be terminated by either party after provision of one month's notice, in which case only accrued leave and other accrued remuneration is payable. Current employment contracts provide for base remuneration of $300,000 (Christopher Bonwick) and $185,000 (Kelly Ross). Current employment contracts expire on 31 August 2006 (Christopher Bonwick) and 31 March 2006 (Kelly Ross).

iii) Executive directors are entitled to receive cash and/or equity based bonuses in addition to the remuneration stated in their employment contracts. The Company pays any fringe benefits tax cost relating to executive directors' remuneration payments and that cost is included in the executive directors' total remuneration in the table below.

iv) The specified executive Tim Moran is employed under a 2 year contract which includes provision for 1 month's remuneration for every year of service should the Company terminate the employment contract without cause. In all other circumstances the contract can be terminated by either party after provision of one month's notice, in which case only accrued leave and other accrued remuneration is payable. The current employment contract provides for remuneration of $250,000. Mr Moran may also receive performance based bonuses should the Remuneration Committee so recommend and the bonuses are approved by the Board.

Remuneration Paid for the Financial Year

Officers of the economic entity during the financial year received the following remuneration:

	Primary Benefits				Equity Compensation	
	Salary & Fees	Cash Bonus	Non-monetary	Superannuation	Options (v)	Total ($)
Specified directors						
R Marston (i)						
Non-executive Chairman	71,666	-	-	-	84,696	156,362
C Bonwick (ii)						
Managing Director	261,867	50,000	10,726	23,568	217,387	563,548
K Ross (ii)						
Executive Director/Company Secretary	156,107	15,000	14,980	14,050	108,693	308,830
J Christie (i)						
Non-executive Director	67,847	-	-	-	42,348	110,195
Total	557,487	65,000	25,706	37,618	453,124	1,138,935
Specified executives (iv)						
T Moran (iii)						
General Manager – Long Nickel Mine	212,858	-	3,830	19,157	20,555	256,400

(i) R Marston and J Christie were granted options at the 2003 Annual General Meeting. The options were issued on 26 November 2003. Further information relating to these options is contained in note 30(c) to the Financial Statements.

(ii) C Bonwick and K Ross were granted options at the 2003 Annual General Meeting. The options were issued on 26 November 2003. Further information relating to these options is contained in note 30(c) to the Financial Statements.

(iii) T Moran was issued options pursuant to the Employee Option Plan on 1 October 2002. Further information relating to these options is contained in note 30(c) to the Financial Statements.

(iv) T Moran is employed by a subsidiary of the Company and his remuneration is disclosed for consolidation purposes only. The specified directors are all directors of the parent entity.

Included in total remuneration are performance based bonuses of $50,000 (Christopher Bonwick) and $15,000 (Kelly Ross). These bonuses were calculated in accordance with the short term incentive policy described above. For the financial period to which the bonuses related, the TSR of the Company was 205.56 while the average TSR for the peer group was 176.09. As the Company's TSR was greater that the average of the peer group, the executive directors were entitled to receive 100% of the STI set by the Remuneration Committee. This was all paid during the financial year and therefore no portion of the bonuses granted will be payable in future financial years.

The performance based bonuses for Christopher Bonwick and Kelly Ross are subject to an annual review by the Remuneration Committee, which also reviews annually the non-performance based remuneration levels of these executives.

NOTE 5: DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

The percentage of the value of remuneration for each director and executive that consists of performance based equity compensation granted during the year or performance based bonuses for the financial year was:

Name	Equity Compensation	Performance Based Bonuses
R Marston	0%	0%
C Bonwick	0%	14.4%
K Ross	0%	7.5%
J Christie	0%	0%
T Moran	0%	**0%**

The remaining remuneration paid is not based upon any measurable performance indicators. Non-performance based remuneration is based on relative industry remuneration levels and is set at a level designed to retain the services of the director or senior executive.

(v) Remuneration options: Granted and vested during the year

The Company uses the fair value measurement provisions of AASB 1046 "Director and Executive Disclosures for Disclosing Entities" and AASB 2 "Share-based Payments" for all options granted to directors and relevant executives, which had not vested as at 1 July 2003. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (ie. forfeitures). The following options which were granted in prior years were exercised during the year:

- 300,000 options were exercised at 34 cents each by director K Ross
- 950,000 options were exercised at 35 cents each by executive T Moran

No options were granted to directors or executives during the year.

The fair value of options issued is not recognised as an expense in the financial statements. Further information relating to the options issued by the Company during prior years is included in note 30(c) to the Financial Statements.

Option holdings of specified directors and specified executives

	Balance at Start of Year	Vested During Year	Granted During Year	Options Exercised	Balance at End of Year	Vested at 30 June 2005 Total	Not Exercisable	Exercisable
Specified directors								
R Marston	1,000,000	250,000	-	-	1,000,000	250,000	-	250,000
C Bonwick	1,500,000	375,000	-	-	1,500,000	375,000	-	375,000
K Ross	1,050,000	187,500	-	(300,000)	750,000	187,500	-	187,500
J Christie	500,000	125,000	-	-	500,000	125,000	-	125,000
Specified executives								
T Moran	950,000	300,000	-	(950,000)	-	-	-	-
Total	**5,000,000**	**1,237,500**	**-**	**(1,250,000)**	**3,750,000**	**937,500**	**-**	**937,500**

Share holdings of specified directors and specified executives

	Balance at Start of Year	Contributing Shares Paid Up	Remuneration Options Exercised	Net Other Change During the Year	Balance at End of Year
Specified directors					
R Marston	160,000	-	-	1,040,000	1,200,000
C Bonwick	4,053,504	2,500,000	-	(3,029,998)	3,523,506
K Ross	10,000	300,000	300,000	-	610,000
J Christie	180,000	-	-	40,000	220,000
Specified executives					
T Moran	72,029	-	950,000	(897,029)	125,000
Total	**4,475,533**	**2,800,000**	**1,250,000**	**(2,847,027)**	**5,678,506**

	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000

NOTE 6: AUDITORS' REMUNERATION

Remuneration of the auditor of the economic entity for:				
a. auditing or reviewing the financial report	43	26	43	26
b. other services	-	-	-	-

NOTE 7: DIVIDENDS PAID

2004 final fully franked ordinary dividend of 5 cents per share franked at the tax rate of 30%	5,391	-	5,391	-
2005 interim fully franked ordinary dividend of 3 cents per share franked at the tax rate of 30%	3,303	-	3,303	-
Total dividends paid during the financial year	8,694	-	8,694	-
Franking account balance at the end of the financial year	3,907	-	3,907	-

NOTE 8: EARNINGS PER SHARE

	2005 '000 No.	2004 '000 No.
a. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	93,992	70,818
Weighted average number of options outstanding	9,031	24,012
Weighted average number of issued contributing shares	5,386	2,990
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	108,409	97,820
	$'000	$'000
b. Earnings used in the calculation of basic EPS	21,454	17,335

c. Options outstanding and contributing shares have been classified as potential ordinary shares and have been included in the determination of dilutive EPS.

NOTE 9: CASH ASSETS

	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Cash on hand	1	1	-	-
Cash at bank	8,242	6,385	9	2,763
Deposits at call	15,983	11,984	1,536	7,028
	24,226	18,370	1,545	9,791

	Note	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000

NOTE 10: RECEIVABLES

	Note	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
CURRENT					
Trade debtors (i)	1(n)	**11,477**	13,231	**-**	-
Other debtors		**104**	51	**59**	1
GST receivable		**411**	395	**150**	97
		11,992	13,677	**209**	98
NON-CURRENT					
Deposits		**514**	514	**24**	24
Amounts owing from associated entities		**150**	-	**150**	-
Amounts owing from wholly-owned entities		**-**	-	**15,923**	14,092
		664	514	**16,097**	14,116

(i) Trade debtors consists of payments outstanding from WMC Resources Ltd for nickel delivered prior to the end of the financial period. Proceeds from nickel deliveries are paid in US dollars and are finalised on the average LME nickel price prevailing in the third month after the month of delivery. The economic entity is therefore required to use a "forecast" price when valuing the outstanding payments. The result is that the actual proceeds received in the future may be different to the trade debtor amount shown and may result in an adjustment being required to be made to subsequent financial statements.

NOTE 11: INVENTORIES

	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
CURRENT				
Mine spares and stores	**97**	11	**-**	-

NOTE 12: OTHER ASSETS

	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
CURRENT				
Prepayments	**211**	148	**-**	-
Foreign exchange gain (i)	**11,779**	9,762	**-**	-
	11,990	9,910	**-**	-

(i) The foreign exchange gain relates to USD currency hedging contracts held by the economic entity at the end of the financial year. The contracts give rise to a future foreign exchange gain as at the end of the financial year, based on the excess to be received from closing out the contracts over the spot USD exchange rate applicable at the end of the financial year. The economic entity also held USD nickel commodity contracts at the end of the financial year which are not reflected in the Financial Statements in accordance with AASB 1012. The estimated effect of reflecting the value of these contracts in the Financial Statements is shown in note 31.

NOTE 13: TAX ASSETS

	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Future income tax benefit	**537**	657	**537**	657
a. The future income tax benefit is made up of the following estimated tax benefits:				
- tax losses	**-**	427	**-**	427
- timing differences	**537**	230	**537**	230
	537	657	**537**	657

NOTE 14: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests are held in the following unlisted associated companies:

Name	Principal Activities	Class of share	Ownership Interest		Carrying Amount of Investment	
			2005	2004	2005	2004
			%	%	$'000	$'000
Southstar Diamonds Limited	Diamond exploration	Ordinary	**50**	50	**564**	564

		2005	2004	2005	2004
		$'000	$'000	$'000	$'000
a.	Movements during the year in equity accounted investment in associated companies				
	Balance at beginning of the financial year	**564**	561	**564**	561
	New investments during the year	-	3	-	3
	Balance at end of the financial year	**564**	564	**564**	564
b.	Retained earnings attributable to associate:				
	Share of loss from ordinary activities after income tax expense	**(129)**	(28)	**(129)**	(28)
	Share of retained losses at beginning of the financial year	**(52)**	(24)	**(52)**	(24)
	Share of retained losses at end of the financial year	**(181)**	(52)	**(181)**	(52)
c.	Summarised presentation of aggregate assets, liabilities and performance of associates:				
	Current Assets	**139**	7	**139**	7
	Total Assets	**139**	7	**139**	7
	Current Liabilities	**33**	1	**33**	1
	Non-current Liabilities	**434**	76	**434**	76
	Total Liabilities	**468**	77	**468**	77
	Net Assets	**(329)**	(70)	**(329)**	(70)
	Net loss from ordinary activities after income tax of associates	**(259)**	(56)	**(259)**	(56)

d. Due to the immaterial balance of the associated company's retained losses, the economic entity has not reflected its share of the associate's losses in the investment balance.

NOTE 15: CONTROLLED ENTITIES

a. Controlled entities and their contribution to consolidated profit after income tax

	Country of Incorporation	Class of Share	Percentage Owned		Contribution to Profit	
			2005	2004	2005	2004
			%	%	$'000	$'000
Controlled Entity: Lightning Nickel Pty Ltd	Australia	Ord	**100**	100	**26,058**	18,717

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000

NOTE 16: OTHER FINANCIAL ASSETS

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

The market value of the Company's investment in Matrix Metals Limited was $5,906,159 below the carrying value of the investment at the end of the financial year and $4,394,159 below the carrying value of the investment at 31 August 2005. 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.

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000

NOTE 17: PROPERTY, PLANT AND EQUIPMENT

Mine plant and equipment - leased	**4,413**	5,900	**-**	-
Accumulated amortisation	**(4,115)**	(2,996)	**-**	-
	298	2,904	**-**	-
Mine plant and equipment - other	**12,043**	7,730	**-**	-
Accumulated depreciation	**(6,416)**	(2,766)	**-**	-
	5,627	4,964	**-**	-
Other plant and equipment	**792**	491	**792**	491
Accumulated depreciation	**(266)**	(107)	**(266)**	(107)
	526	384	**526**	384
Total written down value	**6,451**	8,252	**526**	384
Reconciliation of the movement for the year:				
Carrying amount at the beginning of year	***8,252***	*8,608*	***384***	*105*
Additions	***3,127***	*3,382*	***301***	*347*
Disposals	-	-	-	-
Depreciation/amortisation expense	***(4,928)***	*(3,738)*	***(159)***	*(68)*
Carrying amount at the end of year	***6,451***	*8,252*	***526***	*384*

NOTE 18: EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Exploration and evaluation expenditure:				
Opening balance	**12,261**	11,010	**2,908**	1,215
Current year's expenditure	**9,096**	5,682	**3,990**	2,851
Written off during the year	**(4,444)**	(1,974)	**(3,965)**	(1,158)
Amortisation expense	**(2,714)**	(2,457)	**-**	-
	14,199	12,261	**2,933**	2,908
Development expenditure:				
Opening balance	**2,219**	580	**-**	-
Current year's expenditure	**610**	2,232	**-**	-
Amortisation expense	**(530)**	(593)	**-**	-
	2,299	2,219	**-**	-
Carrying amount at end of year	**16,498**	14,480	**2,933**	2,908

Note1(g) describes the policy relating to the carrying value of interests in exploration, evaluation and development expenditure

NOTE 19: MINE ACQUISITION AND PRE-PRODUCTION COSTS

Mine acquisition costs	**1,692**	1,692	**-**	-
Pre-production costs	**1,473**	1,473	**-**	-
	3,165	3,165	**-**	-
Accumulated amortisation	**(1,741)**	(1,103)	**-**	-
Carrying amount at end of year	**1,424**	2,062	**-**	-

Note1(t) describes the policy relating to the carrying value of interests in mine acquisition and pre-production costs

NOTE 20: PAYABLES

Trade creditors	**4,095**	2,928	**773**	239
GST Payable	**960**	368	**8**	2
Sundry creditors and accrued expenses	**2,845**	3,194	**142**	163
	7,900	6,490	**923**	404

	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000

NOTE 21: INTEREST BEARING LIABILITIES

	2005	2004	2005	2004
CURRENT				
Bank loans (i)	**4,500**	5,500	-	-
Lease liabilities (ii)	**672**	1,871	-	-
	5,172	7,371	-	-
NON-CURRENT				
Bank loans (i)	-	4,500	-	-
Lease liabilities (ii)	**117**	789	-	-
	117	5,289	-	-
Financing Arrangements (iii)				
Entities have access to the following financing arrangements at balance date:				
Cash advance facility	***10,000***	*10,000*	-	-
Less: drawn down portion	***(10,000)***	*(10,000)*	-	-
Guarantee facility	***1,500***	*1,500*	-	-
Less: drawn down portion	***(1,449)***	*(1,389)*	-	-
	51	*111*	-	-

(i) The bank loans are secured by a fixed and floating charge over the assets of the economic entity.

(ii) Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

(iii) The facilities are denominated in Australian dollars and interest is charged at the BBSY rate plus an applicable margin. The facilities are repayable by 30 June 2006. Provision has been made in the Facility Arrangements to enable early repayment of the facilities at the election of the economic entity.

	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000

NOTE 22: TAX LIABILITIES

	2005	2004	2005	2004
CURRENT				
Income tax payable	**6,647**	4,414	**6,647**	4,414
NON-CURRENT				
Provision for deferred income tax	**3,356**	3,686	**3,356**	3,686

NOTE 23: OTHER LIABILITIES

	2005	2004	2005	2004
CURRENT				
Foreign exchange gain (i)	**11,779**	9,762	-	-
Employee entitlements	**719**	440	**58**	32
	12,498	10,202	**58**	32
NON-CURRENT				
Provision for restoration (ii)	**411**	207	-	-

(i) The foreign exchange gain relates to USD currency hedging contracts held by the Company at the end of the financial year. The contracts give rise to a future foreign exchange gain as at the end of the financial year, based on the excess to be received from closing out the contracts over the spot USD exchange rate applicable at the end of the financial year. The economic entity also held USD nickel commodity contracts at the end of the financial year which are not reflected in the Financial Statements in accordance with AASB 1012. The estimated effect of reflecting the value of these contracts in the Financial Statements is shown in note 31.

(ii) A provision for restoration is recognised in relation to mining activities for costs such as reclamation, waste site closure, plant closure and other costs associated with the restoration of the mining site. Estimates of the restoration obligations are based on current technology, legal requirements and future costs. In determining the restoration provision the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such mines in the future.

	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
NOTE 24: CONTRIBUTED EQUITY				
106,982,957 (2004: 75,237,280) fully paid ordinary shares (a)	**20,287**	13,485	**20,287**	13,485
3,110,000 (2004: 7,310,000) partly paid contributing shares (b)	**3**	7	**3**	7
Nil (2004: 24,552,720) fully paid options for ordinary shares (c)	**-**	246	**-**	246
650,000 (2004: 375,000) partly paid unlisted options (d)	**77**	39	**77**	39
	20,367	13,777	**20,367**	13,777
a. Ordinary shares (i)				
At the beginning of year	**13,485**	12,271	**13,485**	12,271
Shares issued during the year				
Issued 1 July 2003 to 30 June 2004	**-**	1,214	**-**	1,214
24,545,677 listed options exercised (c)	**5,155**	-	**5,155**	-
4,200,000 contributing shares fully paid (b)	**425**	-	**425**	-
950,000 unlisted options exercised at $0.35 (v)	**332**	-	**332**	-
300,000 unlisted options exercised at $0.34 (v)	**102**	-	**102**	-
1,750,000 unlisted options exercised at $0.45 (vi)	**788**	-	**788**	-
Transaction costs relating to share issues	**-**	-	**-**	-
At reporting date	**20,287**	13,485	**20,287**	13,485
	No. '000	No. '000	No. '000	No. '000
At the beginning of year	***75,237***	*68,156*	***75,237***	*68,156*
Shares issued during year	***31,746***	*7,081*	***31,746***	*7,081*
At reporting date	***106,983***	*75,237*	***106,983***	*75,237*
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
b. Ordinary Contributing Shares – Partly Paid (ii)				
At beginning of the year	**7**	10	**7**	10
Converted to ordinary shares during the year	**(4)**	(3)	**(4)**	(3)
At reporting date	**3**	7	**3**	7
	No. '000	No. '000	No. '000	No. '000
At beginning of the year	***7,310***	*9,955*	***7,310***	*9,955*
Converted to ordinary shares during the year	***(4,200)***	*(2,645)*	***(4,200)***	*(2,645)*
At reporting date	***3,110***	*7,310*	***3,110***	*7,310*
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
c. Options for Ordinary Shares - Listed (iii)				
At beginning of the year	**246**	268	**246**	268
Converted to ordinary shares during the year	**(245)**	(22)	**(245)**	(22)
Expired during the year	**(1)**	-	**(1)**	-
At reporting date	**-**	246	**-**	246
	No. '000	No. '000	No. '000	No. '000
At beginning of the year	***24,553***	*28,739*	***24,553***	*28,739*
Converted to ordinary shares during the year	***(24,546)***	*(4,186)*	***(24,546)***	*(4,186)*
Expired during the year	***(7)***	*-*	***(7)***	*-*
At reporting date	*-*	*24,553*	*-*	*24,553*

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
d. Options for Ordinary Shares - Unlisted (iv)				
At beginning of the year	**39**	-	**39**	-
Issued during the year	**38**	39	**38**	39
At reporting date	**77**	39	**77**	39
	No.	No.	No.	No.
	'000	'000	'000	'000
At beginning of the year	***375***	-	***375***	-
Issued during the year	***375***	*375*	***375***	*375*
At reporting date	***750***	*375*	***750***	*375*

(i) Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Each ordinary share is entitled to one vote.

(ii) Contributing shares were issued during the year ended 30 June 2002 paid to 0.1 cent each. Payment of a further 10 cents each can be made at any time to entitle the holder to one ordinary fully paid share. The Company will not make a call on these shares before 31 December 2005.

(iii) The options expired on 31 January 2005.

(iv) On 26 November 2003 the Company issued 1,500,000 unlisted options exercisable at $1.33 to non-executive directors. A cash payment of 10.3 cents is made on application for each of four tranches to be issued over 4 years. The 10.3 cents is non-refundable but will be included in the exercise price should the options be exercised in the future.

(v) These options were issued under the Employee Option Plan in 2002.

(vi) These options were issued to the financier of the Long Nickel Mine in 2002.

(vii) At the end of the year there were 7,175,000 (2004: 9,750,000) unissued shares in respect of which options were outstanding.

NOTE 25: ACCUMULATED PROFITS

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Retained (losses) at the beginning of the financial year	**17,061**	(274)	**6,205**	(2,413)
Dividends paid – fully franked	**(8,694)**	-	**(8,694)**	-
Net profit/(loss) attributable to the members of the parent entity	**21,454**	17,335	**5,396**	8,618
Retained profits/(losses) at the end of the financial year	**29,821**	17,061	**2,907**	6,205

NOTE 26: CAPITAL AND LEASING COMMITMENTS

	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
a. Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable				
not later than 1 year	**141**	58	**141**	58
later than 1 year but not later than 5 years	**564**	188	**564**	188
later than 5 years	-	-	-	-
	705	246	**705**	246

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
b. Finance Lease Commitments				
Finance and hire purchase rentals for plant and equipment are payable as follows:				
not later than 1 year	**709**	2,005	-	-
later than 1 year but not later than 5 years	**125**	812	-	-
minimum lease payments	**834**	2,817	-	-
less: future lease finance charges	**(45)**	(157)	-	-
Recognised as a liability	**789**	2,660	-	-
Finance and hire purchase liabilities provided for in the financial statements				
Current	**672**	1,871	-	-
Non-current	**117**	789	-	-
Total liability	**789**	2,660	-	-

c. Exploration Commitments

In order to maintain current rights of tenure to certain exploration tenements, the Company will be required to spend $3,510,100 in 2005/6.

d. Capital Commitments

The economic entity has ordered a loader for the Long Nickel Mine operations at a cost of $440,000 which is expected to be delivered and for which cash payment is to be made in August 2005.

NOTE 27: SEGMENT INFORMATION

The economic entity operated in two industrial or Primary segments, which were the mining and mineral exploration industries. The economic entity operated only in one geographical or Secondary segment which was Australia.

	Mining	Exploration	Inter-segment eliminations/ unallocated	Consolidated
	$'000	$'000	$'000	$'000
Primary Industrial Segment Information 2005				
Revenue from external customers	**85,766**	**-**	**-**	**85,766**
Inter-segment revenue	**-**	**-**	**-**	**-**
Other revenue	**-**	**21**	**816**	**837**
Total segment revenue	**85,766**	**21**	**816**	**86,603**
Consolidated entity profit/(loss) 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**
Primary Industrial Segment Information 2004				
Revenue from external customers	66,737	-	-	66,737
Inter-segment revenue	-	-	-	-
Other revenue	-	20	466	486
Total segment revenue	66,737	20	466	67,223
Consolidated entity profit/(loss) 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	3,729	3,744	68	7,541
Other non-cash expenses	384	1,974	25	2,383

NOTE 28: CASH FLOW INFORMATION

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
a. Reconciliation of Cash Flow from Operations with Profit from ordinary activities after Income Tax				
Profit from ordinary activities after income tax	**21,454**	17,335	**5,396**	8,618
Non-cash flows in profit from ordinary activities				
Depreciation	**3,038**	3,738	**159**	68
Write-off of capitalised expenditure	**4,444**	1,974	**3,965**	1,159
Amortisation	**5,772**	3,807	**-**	-
Profit on sale of plant and exploration property	**-**	(27)	**-**	(20)
Changes in assets and liabilities				
(Increase)/decrease in trade debtors	**1,754**	(7,866)	**(111)**	-
(Increase)/decrease in other debtors	**(45)**	(348)	**-**	(33)
Increase in trade creditors and accruals	**599**	1,560	**195**	(143)
(Increase)/decrease in inventory	**(86)**	30	**-**	-
Increase/(decrease) in provisions	**2,505**	7,866	**(1,826)**	(750)
Cash flows from operations	**39,521**	28,069	**7,778**	8,899

b. Non-cash Financing and Investing Activities

During the year the economic entity acquired leased plant and equipment with an aggregate value of $nil (2004: $335,508).

NOTE 29: EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial year the Company entered into an agreement with WMC Resources Ltd to purchase the freehold land on which the current Location 48 sub-lease is situated, as well as further ground on Location 48 and several adjoining mining leases.

The consideration for the purchase is that the Company will be liable to pay the Kambalda Royalty to Metals Exploration Limited. The royalty is payable quarterly and is calculated as 1.35% of gross nickel sales, based on the average LME Settlement Price over the quarter. The US$ royalty amount is then converted to Australian dollars using the quarter's average for the US$ Hedge Settlement Rate.

The Company also placed on deposit AU$1,500,000 with WMC Resources Ltd. This deposit is to be refunded to the Company on a pro-rata basis for the "Excess Royalty". The Excess Royalty is defined as that amount of royalty paid by the Company which exceeds AU$3,000,000 to a maximum of AU$4,500,000.

Mr Oscar Aamodt was appointed to the Board of the Company on 3 August 2005.

No other matter or circumstance has arisen since the end of the financial year which significantly affected or may significant affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

NOTE 30: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.
Transactions with related parties:

	Economic Entity 2005 $'000	Economic Entity 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
a. Director-related Entities				
Consulting fees have been paid to Virtual Genius Pty Ltd, a company to which director Mr Bonwick is related	**16**	11	**16**	11
Consulting fees have been paid to BFP Consultants Pty Ltd, a company to which a director of a subsidiary is associated	**165**	131	**21**	-
b. Share Transactions of Directors				
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in the parent entity:	No.	No.	No.	No.
Independence Group NL				
ordinary shares	**5,553,506**	4,403,004	**5,553,506**	4,403,004
contributing ordinary shares	-	2,800,000	-	2,800,000
options over ordinary shares (listed)	-	2,395,002	-	2,395,002
options over ordinary shares (unlisted)	**3,750,000**	4,050,000	**3,750,000**	4,050,000

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c. Share options have been issued to directors and executives of the Company. Each share option converts into one ordinary share of Independence Group NL on exercise. Share options issued by Independence Group NL to specified directors and specified executives are as follows:

	Balance start of year No.	Granted during year No.	Exercised during year No.	Balance at end of year No.	Balance Vested at end of year No.	Vested and exercisable No.	Options Vested during year No.
Specified directors (v)							
R Marston (i)	1,000,000	-	-	1,000,000	250,000	250,000	250,000
C Bonwick (ii)	1,500,000	-	-	1,500,000	375,000	375,000	375,000
K Ross (ii), (iii)	1,050,000	-	300,000	750,000	187,500	187,500	187,500
J Christie (i)	500,000	-	-	500,000	125,000	125,000	125,000
Specified executives (v)							
T Moran (iv)	950,000	-	950,000	-	-	-	300,000
	5,000,000	-	1,250,000	3,750,000	937,500	937,500	1,237,500

(i) The options were issued to non-executive directors pursuant to resolutions 6 and 7 passed at the 2003 Annual General Meeting. The options were issued on 26 November 2003. The options vest 25% each 12 month period and are exercisable at $1.33. The options are only exercisable once payment of 10.3 cents each is received by the Company. This cash payment is required to be made within 30 days of the commencement of each vesting period. The cash payment is non-refundable but forms part of the exercise price should the options eventually be exercised. The cash payment for the first two tranches of options has been received from the non-executive directors. Any options that have not vested are cancelled should the director resign or be removed as a director of the Company. The options expire on 30 June 2008. The fair value of the options at their grant date was 29.2 cents each.

(ii) The options were issued to executive directors pursuant to resolutions 4 and 5 passed at the 2003 Annual General Meeting. The options were issued on 26 November 2003. The options vest 25% each 12 month period and are exercisable at $1.03. Any options that have not vested are cancelled should the director resign or be removed as an employee of the Company. The options expire on 30 June 2008. The fair value of the options at their grant date was 43.8 cents each.

(iii) The 300,000 options issued to the director on 11 September 2002 were issued pursuant to the Company's Employee Option Plan. They were exercised at 34 cents each. The fair value of the options at their grant date was 12.4 cents each.

(iv) The options were issued to the executive on 1 October 2002 pursuant to the Company's Employee Option Plan. They were exercised at 35 cents each. The fair value of the options at their grant date was 12.5 cents each.

(v) The options do not entitle the holder to voting or dividend rights. Options may be exercised at any time from the date on which they vest to the date of their expiry.

The difference between the total market value of options issued during a financial year, at the date of issue, and the total amount received from directors and executives, is not recognised in the financial statements, except for the purposes of determining directors' and executives' remuneration in note 5 to the Financial Statements. The amounts are disclosed in remuneration in respect of the financial years over which the entitlement was earned.

Consideration received from the cash payment in note 30(c)(i) and consideration received on the exercise of options is recognised in contributed equity. During the year $38,625 was recognised in contributed equity arising from the cash payment by non-executive directors. During the year $332,500 was recognised in contributed equity arising from the exercise of executives' options described in note 30(c)(iv) and $102,000 was recognised in contributed equity arising from the exercise of director's options described in note 30(c)(iii).

d. Other related entities

During the financial year a wholly-owned entity paid a dividend of $10,000,000 to Independence Group NL. This amount has been included in note 2 to the Financial Statements but has been eliminated on consolidation for the purposes of calculating the profit of the economic entity for the financial year.

NOTE 31: FOREIGN EXCHANGE AND COMMODITY CONTRACTS

	Economic Entity		Parent Entity	
	2005 $'000	2004 $'000	2005 $'000	2004 $'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. The contracts relate to 5,016 tonnes of nickel. The contracts expire during 2005/6 (3,366 tonnes at AUD14,724/tonne) and 2006/7 (1,650 tonnes at AUD17,183/tonne).

NOTE 32: FINANCIAL INSTRUMENTS

a. Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest		Non-interest Bearing		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	%	%	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets:								
Cash	**4.91**	5.08	**19,414**	13,774	**4,812**	4,596	**24,226**	18,370
Receivables	**5.78**	5.78	**514**	514	**12,142**	13,677	**12,656**	14,191
Investments			-	-	**12,410**	564	**12,410**	564
Total Financial Assets			**19,928**	14,288	**29,364**	18,837	**49,292**	33,125
Financial Liabilities:								
Payables			-	-	**7,900**	6,490	**7,900**	6,490
Bank Loans	**7.97**	7.82	**4,500**	10,000	-	-	**4,500**	10,000
Lease Liabilities	**7.62**	8.08	**789**	2,660	-	-	**789**	2,660
Total Financial Liabilities			**5,289**	12,660	**7,900**	6,490	**13,189**	19,150

b. Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the Statement of Financial Position and notes to the Financial Statements.

c. Net Fair Values

The net fair values of unlisted investments where there is no organised financial market, have been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.

The net fair value of assets and liabilities approximates the carrying value.

No financial assets or financial liabilities are readily traded on organised markets except for listed investments.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

Aggregate net fair values and carrying amounts of financial assets at balance date:

	2005		2004	
	Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial Assets				
Listed investments	**11,846**	**11,846**	-	-
Security deposit	**514**	**514**	514	514
Unlisted investments	**564**	**564**	564	564
	12,924	**12,924**	1,078	1,078

NOTE 33: COMPANY DETAILS

The registered office and principal place of business of the Company is Suite 9, Level 3 PDM House, 72 Melville Parade, South Perth, Western Australia. The Company's ABN is 46 092 786 304.

NOTE 34: ECONOMIC DEPENDENCY

Independence Group NL depends on WMC Resources Ltd for a significant volume of revenue. During the year ended 30 June 2005 all sales revenue was sourced from this company. The agreement relating to sales revenue contains provision for the Company to seek alternative revenue providers in the event that WMC Resources Ltd is unable to accept supply of the Company's product due to a force majeure event.

NOTE 35: CONTINGENT LIABILITIES

Lightning Nickel Pty Ltd, which is 100% owned by Independence Group NL, has guarantees of $1,449,000 outstanding to various third parties. The guarantees relate to environmental and rehabilitation bonds predominantly for the Long Nickel Mine.

NOTE 36: 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 (A-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 (A-IFRS) 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 A-IFRS compliant financial report for the year ended 30 June 2006.

The Company will prepare a financial report under A-IFRS for the first time for the half-year ending 31 December 2005. The prior period comparatives in that report will be based on an opening A-IFRS statement of financial position dated 1 July 2004 except for the A-IFRS pertaining to financial instruments as described in note b(i) below.

a. Presentation of Quantified Information

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

Reconciliation of equity under AGAAP to that under A-IFRS

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

* This column represents the adjustments as at the date of transition to A-IFRS.

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

Reconciliation of net profit under AGAAP to that under A-IFRS	Consolidated 30 June 2005 $'000	Parent Entity 30 June 2005 $'000
Net profit as reported under AGAAP	**21,454**	5,396
Share-based payment expense	**(646)**	(646)
Provision for restoration	**(109)**	-
Adjustment to income tax expense	-	-
Net profit under A-IFRS	**20,699**	4,750

b. Explanation of A-IFRS 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 Company.

(i) Classification and Disclosure 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 A-IFRS, 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. There is no material impact as a result of the adoption of this standard for the current or previous financial year.

NOTE 36: IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (continued)

(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.

(iv) Income Taxes

Under AASB 112 *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 (parent entity: $nil).

(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. There is no material impact as a result of the adoption of this standard for the current or previous financial year.

(vi) 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 137 *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 for restoration is based on the discounted cash flow of the expected future cost, discounted at 10%. The effect of this adjustment for the consolidated entity will be a decrease in retained earnings of $1,195 thousand (parent entity $nil). The existing provision for restoration will be reversed, resulting in an increase in retained earnings of $411 thousand (parent entity $nil).

(vii) Retained Earnings

With limited exceptions (refer to note (iii)), adjustments required on first-time adoption of A-IFRS are recognised directly in retained earnings at the date of transition to A-IFRS. The cumulative effect of these adjustments for the consolidated entity will be a decrease in retained earnings of $1,534 thousand (parent entity $985 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.

DIRECTORS' DECLARATION

The directors of the Company declare that in their opinion:

1. the financial statements and notes of the Company and the consolidated entity:
   a. comply with Accounting Standards and the Corporations Act 2001; and
   b. give a true and fair view of the financial position as at 30 June 2005 and performance for the year ended on that date of the Company and economic entity;
2. there are reasonable grounds to believe that the economic entity will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

This declaration is made in accordance with a resolution of the Board of Directors.

R J Marston
Chairman
Dated this 12th day of September 2005

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF INDEPENDENCE GROUP NL

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Independence Group NL (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

Audit Opinion

In our opinion, the financial report of Independence Group NL is in accordance with:

a. the Corporations Act 2001, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of its performance for the year ended on that date; and

   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b. other mandatory financial reporting requirements in Australia.

BDO
Chartered Accountants

B G McVeigh
Perth, Western Australia
12 September 2005

DECLARATION OF INDEPENDENCE BY BDO CHARTERED ACCOUNTANTS
TO THE DIRECTORS OF INDEPENDENCE GROUP NL

To the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of this Act in relation to the audit; and

- no contraventions of any applicable code of professional conduct in relation to this audit.

BDO
Chartered Accountants & Advisers

B G McVeigh
Perth, Western Australia
12 September 2005

The following additional information not shown elsewhere in this report is required by the Australian Stock Exchange Ltd in respect of listed public companies only. This information is current as at 6 September 2005.

1. Shareholding

a. Distribution of shareholders:

Category (size of Holding)	Ordinary Shares
1 – 1,000	263
1,001 – 5,000	1,289
5,001 – 10,000	781
10,001 – 100,000	1,008
100,001 – and over	111
	3,452

b. The number of shareholders holding less than a marketable parcel of fully paid ordinary shares is 17.

c. The Company has received a notice of substantial holding in relation to 7,338,080 ordinary shares from MIR Investment Management Limited.

d. Voting Rights

The voting rights of each class of share are as follows:-

Fully Paid Ordinary Shares – one vote per share held.

Partly Paid Contributing Shares – a fraction of one vote equal to the proportion which the amount paid on each share bears to the total amounts paid and payable on that share.

Options – no voting rights are attached to unexercised options.

2. The name of the company secretary is Mrs Kelly Ross. Mrs Ross holds a Bachelor of Business in Accounting from Curtin University and the designation CPA from the Australian Society of Certified Practising Accountants.

3. The address of the principal registered office in Australia is Suite 9 PDM House, 72 Melville Parade, South Perth, Western Australia, Telephone (08) 9367 2755.

4. The Register of securities is held at Security Transfer Registrars Pty Ltd at 770 Canning Highway, Applecross, Western Australia.

5. There is no current on-market buy-back of the Company's securities.

6. Stock Exchange Listing

Quotation has been granted for 108,139,857 ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited. Unquoted securities are detailed in Note 7 below.

7. Unquoted Securities

The following securities have been issued and the Company has not requested their quotation by the Australian Stock Exchange:-

a. Partly Paid Contributing Shares

Contributing shares are partly paid ordinary shares paid to 0.1 cent each with 10 cents unpaid. There are 3 holders of contributing shares and all holders are unrelated parties. A total of 2,210,000 contributing shares were on issue as at 6 September 2005. One holder (Karen Alana Schiller) has 1,500,000 (67.87%) of the total contributing shares on issue.

Since the end of the financial year 1,000,000 contributing shares were fully paid up and converted to ordinary shares. This transaction has been reflected in the total number of securities shown above.

Contributing shares represent 100% of the total partly paid shares on issue. No call will be made on these shares until 31 December 2005.

b. Unlisted Options

(a) On 17 September 2002, the Company issued 2,000,000 unlisted options exercisable at 45 cents to Bank of Western Australia Ltd, pursuant to the financing arrangement for the purchase of the Long/Victor Nickel Mine by Lightning Nickel Pty Ltd. The options were sold by Bank of Western Australia Ltd to unrelated entities in March 2004 and 1,750,000 have been exercised. The remaining 250,000 are due to expire on 30 June 2006.

(b) On 24 September 2003, the Company issued 1,300,000 unlisted options exercisable at 96 cents to employees. A further 150,000 were issued on 4 February 2004. The options were issued pursuant to the Company's Employee Option Plan. One employee ceased employment during the year and 375,000 options were therefore cancelled. 87,500 options have been exercised since the end of the financial year and the remaining 987,500 expire on 30 September 2008.

(c) On 26 November 2003, the Company issued 1,000,000 unlisted options to director Rod Marston and 500,000 to director John Christie. The options are exercisable at $1.33 with 10.3 cents payable on allotment. The options were issued pursuant to resolutions 6 and 7 passed at the 2003 Annual General Meeting. The options expire on 30 June 2008.

(d) On 26 November 2003, the Company issued 1,500,000 unlisted options to director Christopher Bonwick and 750,000 to director Kelly Ross. The options are exercisable at $1.03. The options were issued pursuant to resolutions 4 and 5 passed at the 2003 Annual General Meeting. The options expire on 30 June 2008.

(e) On 31 March 2004, the Company issued 550,000 unlisted options exercisable at $1.16 to employees. The options were issued pursuant to the Company's Employee Option Plan. 6,900 options have been exercised since the end of the financial year and the remaining 543,100 expire on 30 June 2009.

(f) On 31 March 2004, the Company issued 750,000 unlisted options exercisable at $1.16 to employees. 62,500 options have been exercised since the end of the financial year and the remaining 687,500 options expire on 30 June 2009.

(g) On 20 December 2004, the Company issued 250,000 unlisted options exercisable at $1.20 to employees. The options were issued pursuant to the Company's Employee Option Plan and expire on 30 June 2010.

(h) On 10 February 2005, the Company issued 800,000 unlisted options exercisable at $1.16 to employees. The options were issued pursuant to the Company's Employee Option Plan. Two employees ceased employment during the year and 250,000 options were therefore cancelled. The remaining 550,000 expire on 30 June 2010.

8. 20 Largest Holders of Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	National Nominees Limited	6,140,417	5.68
2.	Westpac Custodian Nominees Limited	5,478,883	5.07
3.	J P Morgan Nominees Australia Limited	5,168,217	4.78
4.	ANZ Nominees Limited	5,159,227	4.77
5.	RBC Global Services Australia Nominees Pty Ltd	3,884,065	3.59
6.	Virtual Genius Pty Ltd	3,370,000	3.12
7.	Forbar Custodians Limited	3,359,229	3.11
8.	Cogent Nominees Pty Limited	2,749,178	2.54
9.	Yarandi Investments Pty Ltd	2,335,852	2.16
10.	Queensland Investment Corporation	2,149,732	1.99
11.	Forty Traders Limited	1,390,000	1.29
12.	Nattai Pty Ltd	1,110,000	1.03
13.	Karen Alana Schiller	1,080,000	1.00
14.	Bradleys Polaris Pty Ltd	1,009,224	.93
15.	Nefco Nominees Pty Ltd	1,000,000	.92
16.	Health Super Pty Ltd	882,900	.82
17.	Paull Parker	843,500	.78
18.	Shannon Corporate Nominees	825,000	.76
19.	Daradine Pty Ltd	685,000	.63
20.	Citicorp Nominees Pty Limited	669,400	.62
		49,289,824	45.59