



INDEPENDENCE GROUP NL
ABN 46 092 786 306

10 October 2005

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

NO. OF PAGES : (91)

2005 ANNUAL REPORT

The 2005 Annual Report is lodged herewith and Independence Group NL advises that the report is currently being forwarded to members.

CHRISTOPHER BONWICK
Managing Director



INDEPENDENCE GROUP NL
ABN 48 092 786 304

**2005
ANNUAL
REPORT**



**For Independence,
2005 was a year
of outstanding
achievement.**



CORPORATE DIRECTORY

Directors

Rod Marston (*Chairman and Non-executive Director*)

Christopher Bonwick
(*Managing Director*)

Kelly Ross (*Executive Director and Company Secretary*)

John Christie (*Non-executive Director*)

Oscar Aamodt (*Non-executive Director*)

Management

Tim Moran (*Chief Operations Officer*)

Tim Kennedy (*Exploration Manager*)

Peter Williams (*Chief Geophysicist*)

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Kambalda Office – Long Nickel Mine

Brett Hartmann (*General Manager*)

Lightning Nickel Pty Ltd

PO Box 318

Kambalda, Western Australia 6442

Telephone: (08) 9027 6699

Facsimile: (08) 9027 6609

Solicitors

Blakiston & Crabb

1202 Hay Street

West Perth, Western Australia 6005

Auditor

BDO Chartered Accountants & Advisers

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Perth, Western Australia 6000

Telephone: (08) 9360 4200

Share Registry

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross, Western Australia 6153

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ASX Code : IGO

Share Structure at 30 June 2005

Listed

* Ordinaries 106,982,957

Unlisted

* Contributing 3,110,000

* Options 7,425,000

Total 117,517,957

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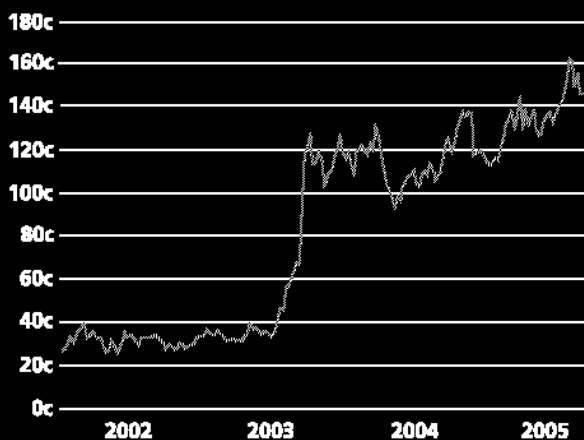




Growth

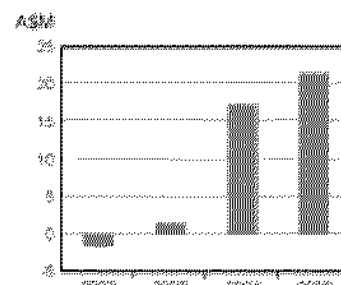
Independence has declared a net profit after income tax of \$21.5 million for the year, and commenced paying dividends.

SHARE PRICE



HIGHLIGHTS

Net Profit after Tax



Group

Net profit after tax of \$21.5 million
(2004: \$17.3 million)

Current share price \$1.50 (2004: \$1.19)

Dividends paid – 8 cents fully franked

Dividends payable – 5 cents fully
franked, to be paid on 3 October 2005



Operations

\$47.2 million (2004: \$28.1 million) operating cash flow before capital costs and
\$37.6 million pre-tax profit from the Long Nickel Mine

Only two lost time accidents since the commencement of mining in October 2002

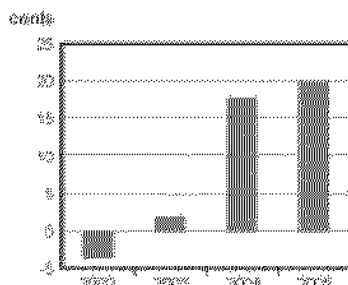
212,654 tonnes of ore mined at 4.17% Ni producing 8,868 nickel tonnes

2005/6 budgeted nickel production in the range of 8,500 – 9,500 nickel tonnes

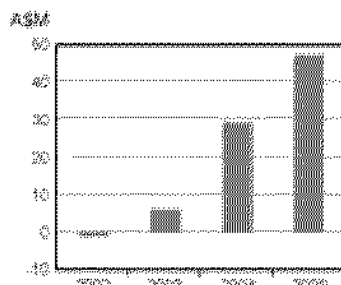
Long reserves increased from 48,300 to 49,370 nickel tonnes, with extensional
drilling continuing at McLeay

Agreement reached with WMC Resources Ltd to purchase the existing Long sub-
lease, infrastructure and surrounding tenements

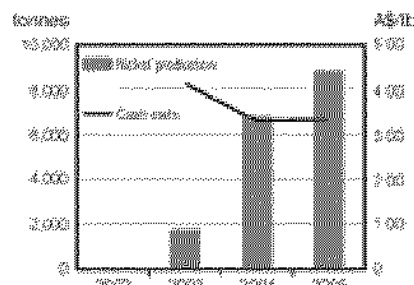
Earnings per Share - Diluted



Gross Cash Flow from Operations



Nickel Production and Cash Costs



Exploration

Continued generation of high quality exploration targets at Long and on the Company's prospective nickel and gold regional tenure

2005/6 Regional Exploration budget steady at around \$4.3 million

\$6 million budget to test the Long South, Long North and McLeay nickel targets

Discovery of the McLeay high-grade nickel deposit, which is open to the north, south and east

Long South Decline expected to reach primary target in February 2006

Agreement reached with WMC Resources Ltd to purchase the Long North target

Tropicana JV – large virgin gold system intersected (38m @ 3.0g/t Au)

Strong geophysical anomalies on the Duketon, Irwin Bore and Lake Lefroy JV nickel sulphide projects

Large gold geochemical anomalies at Mt Padbury (90%) and Dalwallinu (100%)

Large copper-lead-zinc-gold anomalies at Mt Isdell (100%)

BOARD OF DIRECTORS

Rod Marston (62)

B.Sc. (Hons), Ph.D., MAusIMM,
MSEG

Non-executive Chairman

Dr Marston is a geologist with over 35 years experience in the mineral exploration and mining industry, both in Australia and internationally. He has held senior positions with the Geological Survey of Western Australia and several mineral resource consulting groups, who have provided their services to major Australian mining houses including WMC and BHP Limited. When at the Survey, he compiled landmark mineral resource bulletins on copper and nickel mineralisation in Western Australia. Dr Marston played a key role in the discovery, development and management of the multi-million ounce Damang Gold Mine in Ghana, West Africa. Dr Marston was previously a director of Ranger Minerals Ltd (now merged with Perilya Ltd) and is also a director of Southstar Diamonds Limited.



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Commitment

The Company's performance since listing on the ASX has seen an increase in share value from \$0.20 to the current level of \$1.50 with market capitalisation of over \$160 million.

Christopher Bonwick (46)

B.Sc. (Hons), MAusIMM
Managing Director

Mr Bonwick is a geologist with 24 years experience in the mineral exploration and mining industry, particularly in the areas of Australian gold and nickel exploration. He has a proven track record of successful mineral exploration and team management. Mr Bonwick was employed by mining house WMC for ten years, as an open-cut and underground mine geologist, and senior supervising geologist at WMC's Kalgoorlie Exploration Division. In 1991, he moved to Samantha Gold NL where he was employed as Chief Geologist. Mr Bonwick accepted a position at Resolute Limited as Chief Geologist in 1994, where he was joint leader of one of the most successful exploration teams in Australia. Mr Bonwick has led numerous teams that have successfully located virgin gold discoveries, including the Chalice (which returned \$100 million profit in just over three years and won "Diggers and Dealer's Discovery of the Year" in 1994), Redeemer and Indee deposits, as well as near-mine gold discoveries in Australia (Hill 50 satellites and Marymia satellites) and Africa. Mr Bonwick is also a director of Southstar Diamonds Limited.

Kelly Ross (43)

CPA, ACIS
Executive Director

Kelly Ross is an accountant with over 20 years experience in the mineral exploration and mining industry. Ms Ross was with Resolute Limited from 1987 to 2000, during which time the Company grew from a small exploration company to a major gold producer.

Ms Ross has held positions with National Resources Exploration Pty Ltd, the Kimseed Group, Murchison United NL and the Department of Mineral & Petroleum Resources. Ms Ross is also the Company Secretary of Independence Group NL.

John Christie

CPA, ACIS
Non-executive Director

Mr Christie is an accountant by profession with experience primarily in the resource and construction industries. He spent 16 years with Anaconda Australia Inc, a subsidiary of Atlantic Richfield, including seven years as Vice President and Treasurer. Mr Christie has previously held Board positions with Ranger Minerals Ltd and General Minerals Corporation.

Oscar Aamodt (59)

FCIS
Non-executive Director

Oscar Aamodt is a fellow of the Institute of Chartered Secretaries and has more than 20 years experience in the administration and management of mining and exploration listed companies in Australia and overseas. He has held a number of directorships in Australian mining companies as well as having held the positions of Chief Financial Officer and Chief Operating Officer with Resolute Limited, a company that at the time had operations in Australia and Africa. He has had extensive involvement in project development team work, project financing as well as corporate activities. From February 2002 until May 2003 he was a Director and Company Secretary of Abelle Limited and most recently Company Secretary of Bluestone Tin Limited and Metals Exploration Limited. Mr Aamodt is also currently a director of ASX listed company Energy Metals Limited.

CHAIRMAN'S REVIEW



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"Independence Group has made excellent progress during the past year. This has resulted in strong shareholder return in the form of share price growth of some 26% as well as shareholders receiving dividends of 8 cents."

Rod Marston
Chairman

Dear Fellow Shareholders,
Independence Group has made excellent progress during the past year in three key areas:

- increasing the production rate from the Long Nickel Mine thereby increasing cash

as well as shareholders receiving dividends of 8 cents. In March 2005 the Company was included in the Standard and Poor's ASX 300 index, and has a current market capitalisation of over \$160 million.

from modest extensions to the existing Long underground openings. This has already been achieved with the discovery of the McLeay shoot south of Victor South, and with geophysical conductors in nickeliferous



flow and profitability: NPAT \$21.5 million (\$17.3 million previous year), whilst also reducing debt from \$12.7 million to \$5.3 million;

- finding additional nickel resources and reserves adjacent to the mine workings on both the Company's ground and in areas along strike with newly acquired exploration and nickel rights, the target being to double mine life to ten years; and
- achieving significant exploration success in some of the Company's gold and nickel grass-roots projects.

This has resulted in strong shareholder return in the form of share price growth of some 26%

The 2004/5 year saw the second full year's production from the Long Nickel Mine, which with production of 8,868 contained tonnes of nickel metal, yielded 30% more nickel metal than in the first full year. Since production began in October 2002, 32% more nickel metal has been recovered from areas outside ore reserve blocks and from additional ore than that predicted by the ore reserve block model. At year-end, hedged nickel metal represented 17% of IGO's share of the current reserve of 49,370t of nickel. Since start-up the revenue from the mine has amounted to \$178 million.

There are many exciting targets to explore that will be accessible

ultramafics being found as the Long South exploration decline progresses. The recent purchase of nickel rights in tenements north and south of Long, gives the Company more access to the rich eastern flank of the world-class Kambalda Dome nickel camp, which has great potential for new nickel sulphide discoveries using advanced geological and geophysical exploration techniques.

The Company's exploration focus remains on gold and nickel sulphide resources in Western Australia, both easily measurable and saleable commodities. Prices have been strong in the past year, and are forecast to remain high in Australian dollar terms for the foreseeable future.



The Company is focusing on finding major new mining camps and exploring near existing ones.

A new PreCambrian gold camp may be emerging from the ongoing work on the Tropicana property in south-eastern Western Australia, where AngloGold Ashanti is manager. Sulphidic gneisses contain gold-bearing zones up to 38 metres thick including gold contents of up to 8g/t over 10 metres. The Company also has full rights to self-generated exploration projects in new gold areas in the Yilgarn Block and areas northwards towards the Telfer region.

Exploration for nickel is progressing north of Laverton in the extensive Duketon and Cullen Joint Venture areas and promising geochemical and geophysical anomalies have been found. The superior Anglo American Squid electromagnetic sensor is also being used to explore for Kambalda Dome analogues in the salt lake country of Lake Lefroy, terrain which is not amenable to traditional exploration techniques for nickel sulphides.

On your behalf, I extend my thanks to our highly-skilled management team and employees for their hard-working and dedicated

contribution to the current value of our Company. I thank shareholders for their support and urge them to maintain their interest in the growth of Independence, as we strive to remain a safe, innovative and efficient explorer and miner.

Rod Marston
CHAIRMAN



Progress

Long Nickel Mine was successfully recommissioned in October 2002 and has returned \$87.6 million of free cash before capital and tax.

MANAGING DIRECTOR'S OPERATIONS REPORT



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"I would like to thank all the shareholders for their strong support. Independence will continue its commitment to delivering shareholder value."

Christopher Bonwick
Managing Director



Dear Fellow Shareholders,

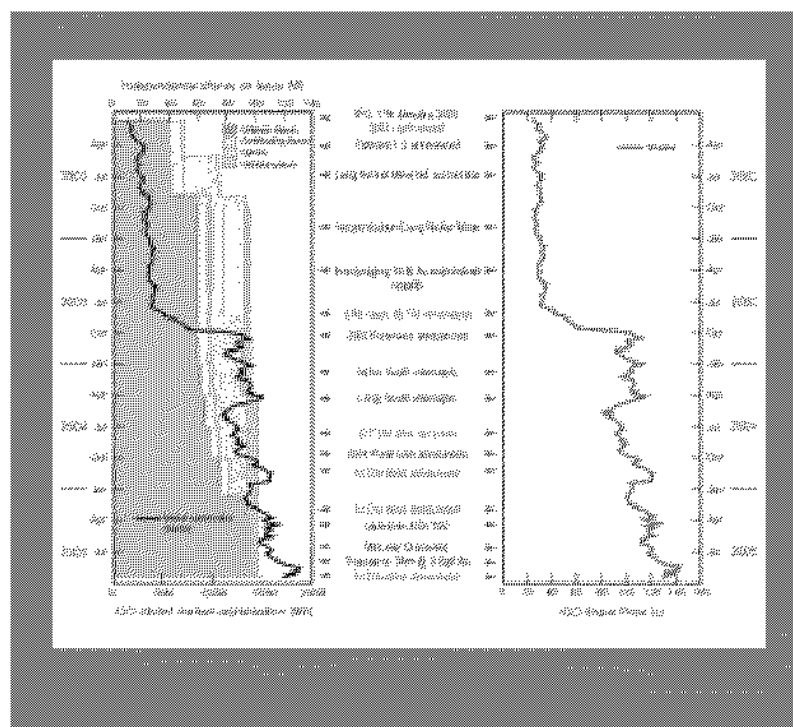
Fiscal year 2005 was a year of outstanding achievement for the Company. Independence produced a net profit after income tax of \$21.5 million (FY 2004: \$17.3 million) derived

Operationally the Long Nickel Mine had a strong year increasing production as forecast from 168,991t of ore @ 4.1% Ni (6,843Ni t) in 2003/4 to 212,654t @ 4.2% Ni (8,868Ni t) in 2004/5. During the year 35% of the nickel metal was

mined outside or in excess of ore reserve estimates (project to date 32%). The new mine at Victor South was successfully brought into production. Cash costs of A\$3.32/lb Ni were amongst the lowest in the world for underground nickel mines



from a pre-tax operating cash flow of \$47.2 million (2004: \$28.1 million). Debt at year end was reduced to \$5.3 million and cash plus net receivables were \$28.3 million. Strong cash flow from the Long Nickel Mine enabled payment of fully franked dividends of 8 cents and at the time of writing a 26% increase in share price from \$1.19 (30 June 2004) to \$1.50. Being able to pay dividends within three years of listing is a remarkable achievement and a credit to all involved. I would like to thank all our employees, contractors and consultants for their hard work and continued commitment during the year.



Market Capitalisation - Significant Events and Share Price Graph

resulting in high operating margins. Mining conditions at Long are difficult and it is a tribute to our highly skilled mining team that only two lost time incidents have occurred since the commencement of operations in October 2002. Long's safety record is approximately 50% better than the Australian underground metalliferous mine average, again a tribute to the Company's underground mining team which we consider to be one of the most talented in Australia.

In addition to increasing production, ore reserves increased by 25% after deducting 2004/5 production to 1,283,500t at 3.8% Ni (49,370Ni t), with production forecast to continue to at least 2010. Mine life could be further extended as a result of the McLeay discovery, further resource to reserve conversion peripheral to Long, and by delineation of additional ore outside the current Long ore resource boundary.

The mine's exploration team has outlined promising targets which could significantly increase mine life at the current production level of 9,000Ni t per annum. These include:

- The Long South prospect, where the exploration decline is planned to reach the target area beneath the Victor and Victor South high tenor ore channel in February 2006;

- The Long North prospect, where only two diamond holes north of the \$3.5 billion Long orebody have been drilled, both of which intersected nickel sulphides; and
- The southern continuation of the Victor South - McLeay system towards Lunnon Shoot.

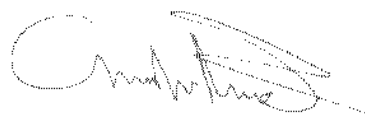
Significant exploration funding will be made available in the 2006 financial year (\$10 million) to test these potentially high-grade targets, as well as gold and nickel targets elsewhere in Australia.

As well as paying dividends, strong cash flows from the mine have enabled aggressive but focused regional exploration programs, primarily targeting new Australian nickel and gold camps. Our in-house geological and geophysical expertise has also generated a number of high quality nickel geophysical targets and gold anomalies which will be further drill-tested in the coming year. It is pleasing that our joint venture partner AngloGold Ashanti has intersected significant gold mineralisation (38m @ 3.0g/t Au true width) within the Tropicana Joint Venture area, one of the original projects in Independence's IPO prospectus. This region could represent a new Australian gold province, where the joint venture has a very large ground holding containing numerous

large untested gold anomalies. New gold mineralisation has also been found at the Company's Dalwallinu and Mt Padbury projects. New nickel occurrences and transient electromagnetic ("TEM") conductors are being evaluated at the Duketon and Irwin Bore projects.

Corporate acquisition is also part of Independence's strategy to achieve the Group's corporate goals. The Company has strict investment criteria to ensure that acquisitions maximise shareholder wealth and minimise dilution of shareholders' interests. Unless an outstanding opportunity arises which would justify the raising of additional capital, the Board intends to grow Independence through free cash flow and debt funding.

Independence has all the ingredients to become a major force in the worldwide resources industry. The financial year ahead will be very exciting with the potential for significant organic growth. I would like to thank all the shareholders for their strong support. Independence will continue its commitment to deliver shareholder value.



Christopher Bonwick
MANAGING DIRECTOR



Corporate Goals

- The overall corporate goal is to increase shareholder wealth by increasing share price, paying dividends and investing in exploration, development and corporate acquisitions.
- Independence uses leading edge technology to support its exploration and mining activities.



Background

In September 2002 the Company acquired the Long Nickel Mine with a reserve base of 26,800 tonnes of nickel and became a nickel producer in October 2002. To 30 June 2005, the mining reserve base has increased to over 49,300 Ni t. The Company has now mined over 18,700 nickel tonnes at low cash costs to produce \$87.6 million cash before tax and capital expenditure.

This cash flow, apart from funding the payment of dividends, has allowed the Company to self fund its mine and regional exploration activities and to purchase 18.6% of Matrix Metals Limited, an ASX listed company with the potential to become a low cost copper producer in the Mt Isa region.

OPERATIONS

Long Nickel Mine

160 100%

Background

Independence Group's wholly owned subsidiary Lightning Nickel Pty Ltd (Lightning), acquired the Long Nickel Mine and the lease of related infrastructure and equipment from WMC Resources Ltd for \$15 million in September 2002. The mine was successfully commissioned in October 2002 and produced at an annualised rate of 168,000 tonnes of ore in 2003/4, which increased to 213,000 tonnes in 2004/5.

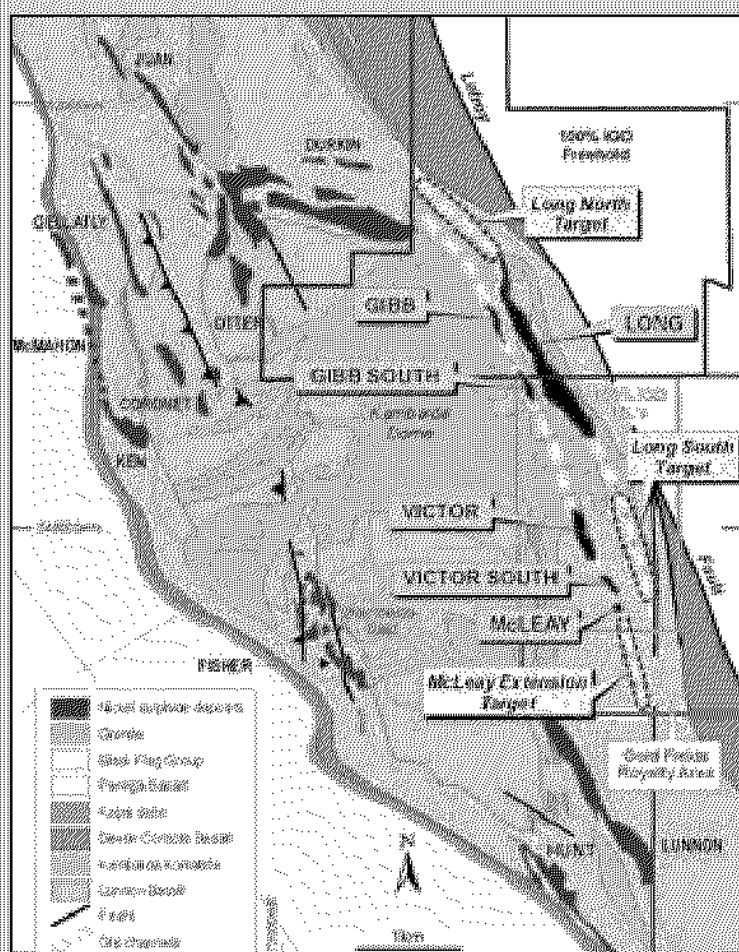
The mine is located at Kambalda in Western Australia, which is a world class nickel sulphide mine camp (Figure 1). The mine is providing a significant cash flow to the Company and has significant upside for further mine life extensions.

The Company employs a highly skilled workforce at the Long Nickel Mine, with most having many years of underground experience in the Kambalda region.

Since commissioning the mine, exploration and development activities have resulted in the discovery of an additional 4.5 years of reserves increasing the current mine life to 2010 at an increased production rate.

The McLeay nickel deposit was discovered in 2005 and drilling is continuing to extend the resource.

Research and development studies to extract mine pillars outside reserves, and further exploration success at McLeay, Long South and Long North, also have the potential to significantly increase mine life.



Long Nickel Mine History

The Long shoot was first intersected by WMC Resources Ltd ("WMC") diamond drilling in 1971, with subsequent drilling indicating the presence of significant mineralisation within both the Long and Victor nickel ore bodies. Underground development commenced at Long in 1975 with the sinking of a vertical shaft to a depth of 971.4m. Ore production began in 1979. In 1989 the Victor decline was started to access the Victor ore body and by 1994 had provided mechanised access to the deeper levels of the Long Nickel Mine. Since the mine was placed on care and maintenance in April 1999, WMC maintained the underground infrastructure, shaft and headframe in excellent condition for a planned resumption of mining. WMC also refurbished the mine, undertook additional exploration and completed a mine operating plan which was later used by Independence.

Past production from Long Shaft and Victor decline represents the second largest concentration of nickel in the Kambalda region, and qualifies as one of WMC's longest operating nickel mines with a 21 year mine life. Total production to closure in 1999 was 5.43 million tonnes at an average reconciled grade of 3.7% nickel (203,184 nickel tonnes).

Tenure

The Long Complex assets are located on three Western Australian Mining Act (1904) Mineral Leases (ML15/158, 159 and 160), and a portion of East Location 48. East Location 48 was originally sub-leased to Independence until April 2011. In July 2005 Independence reached agreement with WMC to purchase the sub-leased area and other portions of Location 48 as well as several adjoining tenements. Location 48 is one of a number of freehold land grants created in the Eastern Goldfields district in 1890.

WMC Resources Offtake Agreement

The Company has an agreement with WMC whereby the ore produced from the mine is delivered to the adjacent WMC Kambalda Nickel Operations Concentrator for toll treatment and production of nickel concentrates, which are then sold to WMC on terms set out in that agreement. The agreement expires on 27 February 2019.

Safety

The mine plan adopted by the Company incorporates a number of procedures and policies to ensure the safety of our team is of the highest priority. A significant amount of work has been undertaken setting up and rehabilitating old Long stoping blocks, some of which have not been mined for over ten years. One Lost Time Incident (LTI) occurred during 2004/5 to give a total of only two Lost Time Incidents since the mine was purchased in 2002, which is a great credit to the skill and dedication of all personnel on site.

Lightning is committed to fulfil the obligations of the Mines Safety and Inspection Act 1994 and Regulation 1995 by involving the entire workforce in all their requirements. Lightning's policy requires that operators are regularly taken out of production for training. This has been executed well and safety teams from surrounding mines have also undertaken training activities with Lightning's personnel.

The occupational health and safety regime is stated in the Lightning Nickel Safety Policy, which is based on the belief that profits can be made without compromising safety. It is management's conviction that a positive attitude is the key to any safety program. Hazard identification, accident/incident investigation, competency training, work procedures development and competency reassessment, as well as regular monthly workplace inspections, are carried out with the help of every employee.

At the end of June 2005, with a total of 664,378 exposure hours the record reads: 81 incidents, 32 minor injuries, 22 medically treated injuries and 2 LTI's, which is approximately half the Australian underground metalliferous mine average injury rate.

Ground Conditions and Seismicity

The risks of "mine-induced" seismicity are well known and understood at Long. The ore body is disrupted by a swarm of cross-cutting porphyries, some of which are stressed. These porphyries have reacted in a consistent and predictable geotechnical fashion. When mining the discrete ore blocks within the Long Mine, procedures to manage these events are built into the operating standards and are well understood by our mining team.

A combination of rock-bolting, meshing and shotcreting are the standard practice for excavations of varying size and accessibility. No person is allowed to perform their duties beyond safe and secure overhead support.

Lightning is a sponsor of the Australian Centre for Geomechanics Research (ACGR) seismicity research studies. ACGR and the University of Western Australia have been undertaking ground support studies at the Long Nickel Mine with the assistance of the Company's mining and geotechnical team.

Mine Work Force

Lightning currently employs 116 full-time staff and 12 full time contractors. Many employees are ex-WMC Kambalda Nickel Operations' employees, who brought an immediate pool of sound operating knowledge, experience and skills to the project.

Lightning's work force has been very stable with a very high retention rate since the commencement of mining in October 2002. All miners apart from the hand-held team are on salary, and an incentive scheme is in place to reward the mining team when development targets are achieved without compromising the mine's high safety standards.

Mine Production

Mining methods range from long-hole open stoping with mullock/sand backfill and mechanised jumbo flat back stoping, to hand-held mining which is utilised to extract blocks in narrow stopes not suitable for mechanisation. Wherever necessary, non-entry,

mechanised mining methods are employed for safety reasons. The spacing of stoping sub-levels and other aspects of the mining methods have been designed to minimise opportunities for dilution.

Production for the year was 8,868 tonnes of nickel metal as shown in Table 1.

Not only did the Company produce 17% of its nickel from outside reserves in 2004/5, an additional 1,292 nickel tonnes (Ni t) were produced from within reserve blocks than was expected from the reserve model.

Independence's share of nickel produced in 2004/5 was 5,248 tonnes, resulting in revenue of \$85.8 million.

Capitalised Development

Only development costs relating to the initial development to the Gibb South and Victor South ore bodies have been capitalised. The Long South and McLeay exploration declines are classified as exploration expenditure. Mining at Long Shaft involves re-establishing reserve blocks which in some cases have not been in operation for more than a decade. The rehabilitation of these areas involves extensive shotcreting, re-meshing and cable bolting, and these costs have been absorbed by the mine in its operating costs. For example, rehabilitation of the 14 level pillars has cost approximately \$2 million over the last two years, with production anticipated to commence in the December 2005 quarter, and these costs are already reflected in operating costs.

Table 1: Long Nickel Mine - 2004/5 Ore Production

Production by Mine Block	Tonnes	Gr %	Ni Tonnes
Reserve	179,259	4.1	7,378
Outside Reserve	33,395	4.5	1,490
TOTAL	212,654	4.2	8,868
Long (mechanised and hand-held)	132,375	3.5	4,636
Gibb South (hand-held)	14,177	8.0	1,133
Victor South (development ore)	66,102	4.7	3,099
TOTAL	212,654	4.2	8,868

Ore Reserves and Resources

Lightning personnel, Cube Consulting Pty Ltd (ore resource consultants) and Frazers Mining Services (mine engineering consultants) were used to calculate JORC standard reserves and resources based on industry best practice. The resource sub-totals have been rounded. Resources and reserves at 30 June 2005 are shown in Tables 2 and 3.

Ore reserve tonnages and grades have been calculated at a 2.5% nickel cut-off grade in the new resource model, which takes into account the high value of the ore, its mode of occurrence, the geotechnical considerations to ensure successful and safe mining in the geological environment, cost of production, future nickel prices, and the depths at which the operations will be conducted. The reserve was calculated using the 2D and 3D metal accumulation of grade, thickness and density interpolated by ordinary kriging into blocks for each mineralised surface, followed by the subtraction of porphyries, unextractable pillars and mining depletion.

Remnant Pillars

Approximately 44,000 tonnes of nickel metal were contained in mine pillars when the Company purchased Long, which were considered by the previous owner to be unextractable.

The Company's research and development program to develop a new mining method to extract stressed pillars using conventional benching and uphole retreat methods, progressed during the year.

The pillars chosen as the subject of the research program were on the 14 level of the Long mine. Once access was gained and tests conducted it was discovered that the pillars were already de-stressed, enabling the pillars to be mined by conventional methods and therefore incorporated into reserves. This will result in reduced mining costs for these pillars.

Geophysics

A portable underground EM Torch system (analogous to a large metal detector), conductivity probes and a three-component down hole magnetic TEM probe, have been incorporated into the mine's exploration program to produce real time massive and matrix nickel sulphide location information, providing a vector to the mineralisation. This has resulted in a reduction in drilled metres, allowed more accurate mine design, reduced expensive exploration development, and has located new ore positions in the mine environment.

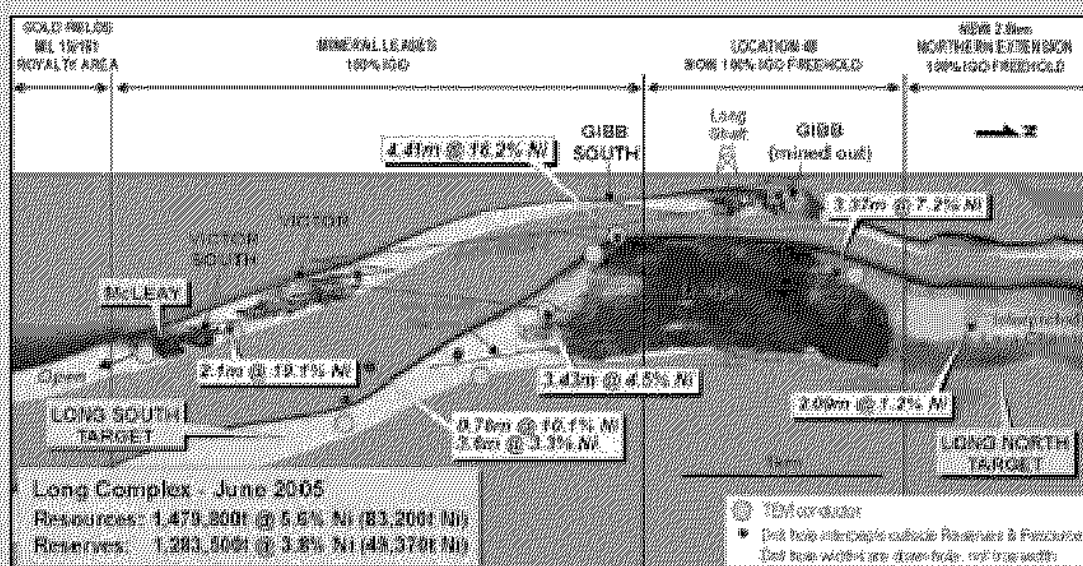


Figure 2: Long Nickel Mine – Longitudinal Projection Showing Ore Reserves and Targets

Table 2: Long Nickel Mine – Resources

		Estimated Resources at 1% Ni cut-off as at 30 April 2004			Undeclared Resources at 1% Ni cut-off as at 30 June 2005		
		Tonnes	Gr %	Ni Tonnes	Tonnes	Gr %	Ni Tonnes
Long Shaft	Measured	417,000	7.0	29,000	357,000	7.0	25,000
	Indicated	465,000	5.7	26,400	399,000	5.8	23,200
	Inferred	32,000	4.7	1,500	33,000	4.8	1,600
	Sub-Total	914,000	6.2	56,900	789,000	6.3	49,800
Victor South	Measured	-	-	-	-	-	-
	Indicated	510,000	4.5	22,900	468,000	4.1	19,300
	Inferred	-	-	-	-	-	-
	Sub-Total	510,000	4.5	22,900	468,000	4.1	19,300
Victor	Measured	-	-	-	-	-	-
	Indicated	-	-	-	3,700	6.1	200
	Inferred	-	-	-	-	-	-
	Sub-Total	-	-	-	3,700	6.1	200
Gibb South	Measured	14,000	5.4	800	6,900	5.1	400
	Indicated	8,000	3.5	300	6,500	3.6	200
	Inferred	13,000	2.9	400	11,700	2.4	300
	Sub-Total	35,000	4.1	1,400	25,100	3.5	900
McLeay	Measured	-	-	-	-	-	-
	Indicated	-	-	-	140,000	7.0	9,800
	Inferred	-	-	-	3,200	6.0	3,200
	Sub-Total	-	-	-	194,000	6.7	13,000
TOTAL		1,459,000	5.6	81,200	1,479,800	5.6	83,200

Table 3: Long Nickel Mine - Reserves

		Mining Reserve at 2.5% Ni cut-off as at 30 June 2004			Mining Reserve at 2.5% Ni cut-off as at 30 June 2005		
		Tonnes	Gr %	Ni Tonnes	Tonnes	Gr %	Ni Tonnes
Long 12-16L mechanised	Proven	417,000	4.1	17,300	339,000	4.1	13,500
	Probable	211,000	3.3	6,800	180,000	3.3	5,700
	Sub-Total	628,000	3.8	24,100	519,000	3.8	19,200
Long 7-11L hand-held	Proven	30,000	3.7	1,100	27,000	3.7	1,000
	Probable	139,000	4.5	6,300	115,000	4.5	5,100
	Sub-Total	169,000	4.4	7,400	142,000	4.4	6,100
Victor South mechanised	Proven	-	-	-	-	-	-
	Probable	380,000	4.3	16,500	428,000	3.6	15,600
	Sub-Total	380,000	4.3	16,500	428,000	3.6	15,600
Victor mechanised	Proven	-	-	-	-	-	-
	Probable	-	-	-	6,000	3.4	200
	Sub-Total	-	-	-	6,000	3.4	200
Gibb South hand-held	Proven	7,000	4.0	280	4,300	3.2	140
	Probable	1,000	2.9	20	600	2.8	20
	Sub-Total	8,000	3.7	300	4,900	3.2	160
McLeay mechanised	Proven	-	-	-	-	-	-
	Probable	-	-	-	183,600	4.4	8,110
	Sub-Total	-	-	-	183,600	4.4	8,110
TOTAL		1,185,000	4.1	48,300	1,283,500	3.8	49,370

Notes:

- 1 The Competent Persons and Members of the AusIMM or AIG with the appropriate experience in reporting the above are Ian Taylor of Lightning Nickel Pty Ltd, Ted Coupland of Cube Consulting Pty Ltd and Phil Bremner of Frazers Mining Services.
- 2 Ore tonnes have been rounded to the nearest thousand tonnes and nickel tonnes have been rounded to the nearest hundred tonnes, except for Gibb South, McLeay and Victor where ore tonnes have been rounded to the nearest hundred tonnes and nickel tonnes have been rounded to the nearest ten tonnes.
- 3 The cut-off grade used for the Victor South resource is 0.6% Ni.
- 4 McLeay reserves and resources were calculated in September 2005.

Exploration

When Long was purchased in 2002, the reserve base was 26,800t nickel. To 30 June 2005 this mining reserve base has increased to 68,000Ni t (includes 18,700Ni t of IGO production) for the expenditure of \$11.8 million which equates to a cost of \$286 per tonne of nickel metal.

This expenditure also contributed to the discovery of the McLeay deposit, highlighted the potential both north and south of Long, and intersected previously unknown nickel sulphides outside current resource and reserve boundaries. In-house geophysical expertise and technology have also directly contributed to the discovery process and improved ore delineation in a very cost effective manner.

Exploration during the year was highly successful with the discovery of the high-grade McLeay deposit, definition of another TEM anomaly at the Long South prospect and a number of high-grade intersections outside the previous Long ore resource boundary. As a consequence of some of these discoveries, reserves have increased to 49,370Ni t, a 25% increase after 2004/5 production is taken into account. Significant potential exists to discover additional ore south of McLeay, at Long South and within the recently purchased Long North tenure.

Nickel Sulphide Formation

The Long and Victor deposits are typical Kambalda-style nickel deposits, consisting of narrow, steeply dipping, shallowly plunging, ribbon-like accumulations of massive or semi-massive sulphides located at the base of komatiitic ultramafic flows at their contact with an underlying basalt unit. Massive sulphide is overlain by matrix and then disseminated mineralisation, with the bulk of the ore being massive and matrix in nature. The ore averages 2.6m in thickness.

The Long nickel ore shoots consist of shallowly plunging channels which produce high tonnes of ore per vertical metre and together with the high nickel tenor of massive sulphides, means that even small incremental discoveries can have a significant positive impact on profitability.

The nickel mineralisation is associated with Archaean ultramafic lava channels or tubes (analogous to river channels), in which the olivine-rich magmas are characterised by very high magnesia (MgO) contents. When in a molten liquid state during volcanic formation, the very dense nickel sulphides pooled in depressions along the lava channel. Subsequent folding and faulting has tipped the channels to a 60 to 85 degree dip towards the east, and also resulted in the remobilisation of some of the original sulphides into structurally controlled positions (eg. Victor South).

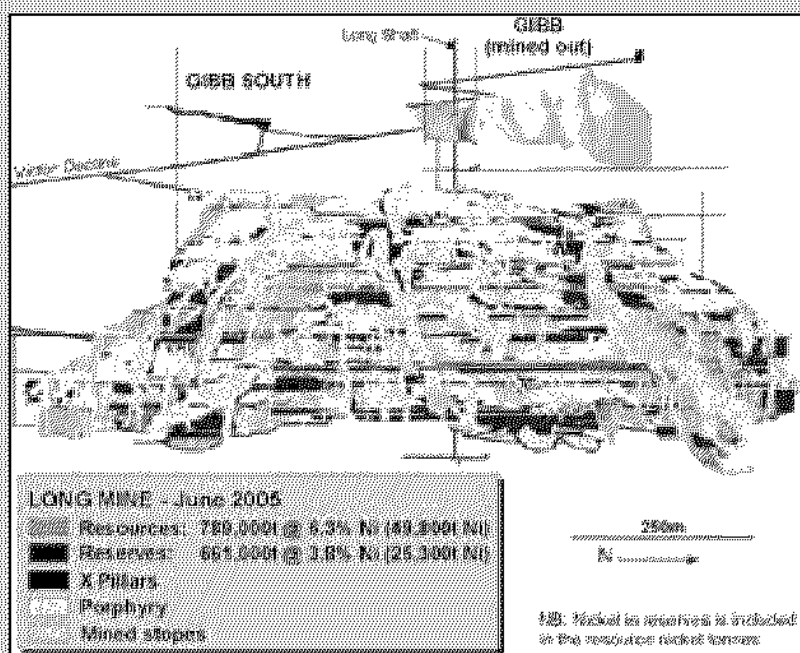
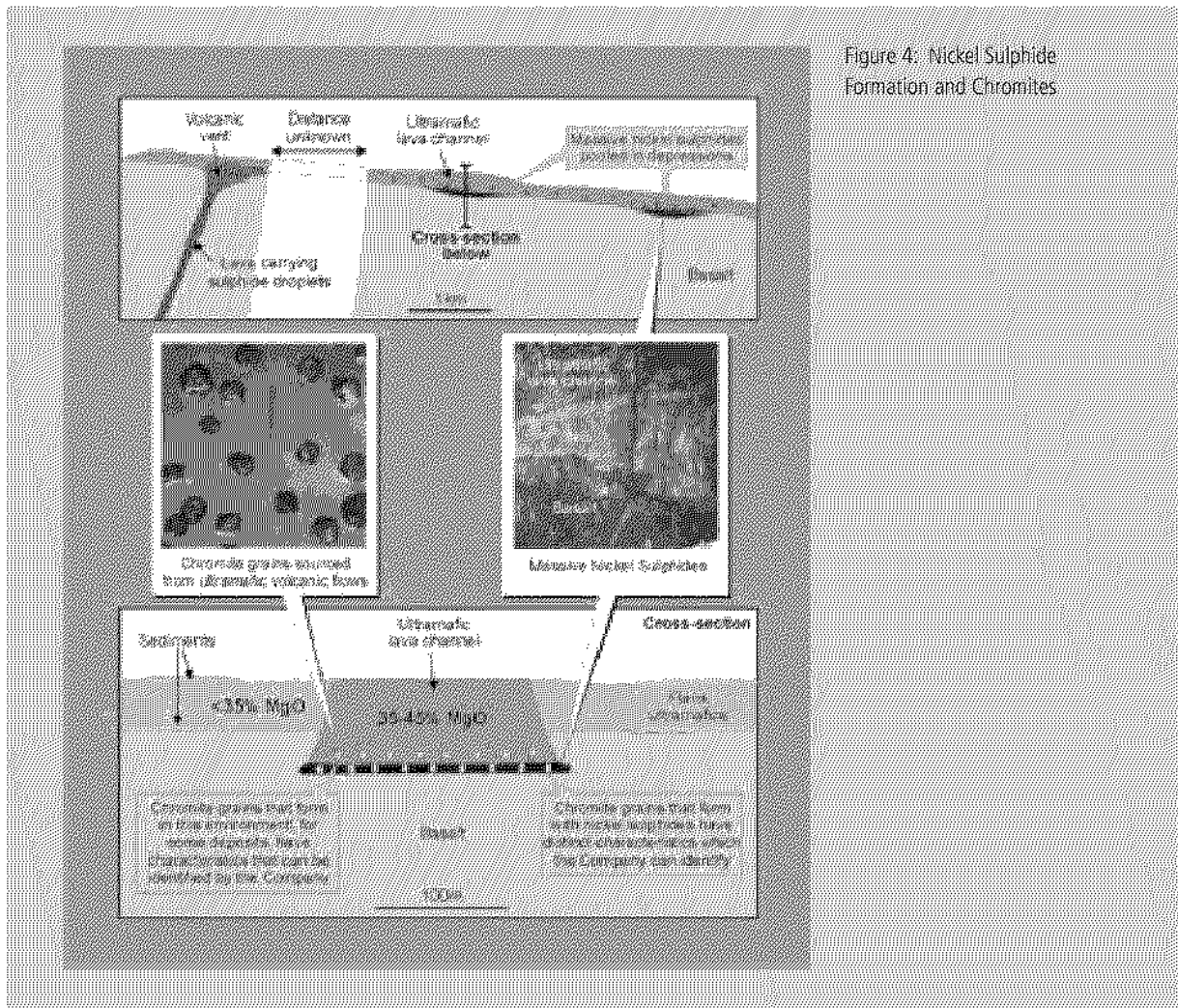


Figure 3: Long Nickel Mine
- June 2005 Ore Resources
and Reserves



During these deformation events and resultant sulphide remobilisation, the massive sulphide can be thought to behave like a tube of toothpaste when it is squeezed, with weak massive sulphides squeezed into surrounding country rocks under extreme pressure. To date, two prospective channels have been recognised and confirmed by MgO studies (Figure 2):

Channel 1: The upper, high-tenor nickel channel is interpreted to contain from north to south, the Gibb, Gibb South, Victor, Victor South and McLeay deposits.

Channel 2: The lower, wider, moderate-tenor nickel channel contains the Long deposit and nickel sulphides at the Long North and Long South targets.

Strategy

Exploration at Long targets the following:

- Mine life extensions - targets which have the potential to significantly increase mine life, and

- Incremental ore - targets which may replace depleting reserves and resources in and around known ore bodies.

The Company's exploration team are focusing on both types of targets using the integration of geological mapping, structural studies and magnetic and electromagnetic geophysical surveys to produce a 3-dimensional picture of the ultramafic stratigraphy.

Exploration has been very successful given the small (\$2.0 million) exploration spend in 2004/5. Taking into account 2004/5 production, reserves have increased by 9,900 nickel tonnes or 25%. As a consequence, the 2005/6 Long exploration budget will remain at approximately \$6 million to continue decline development, geophysics and exploration drilling to further evaluate the McLeay, Long South and Long North targets.

Significant potential exists to double the current mine life by discoveries from the above targets.

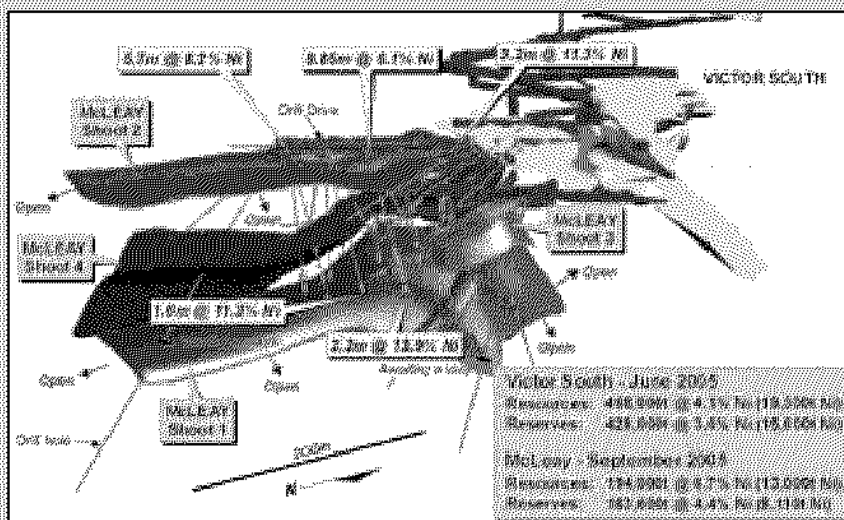


Figure 5: McLeay
— Isometric Projection and
Ore Resources and Reserves

Mine Life Extension Targets

McLeay

The discovery of McLeay during the year was Independence's first new nickel sulphide deposit which had not been previously identified by WMC exploration (Figure 5). **The high-grade system, close to existing development, remains open to the north, south and east.** Geophysical surveys and drilling will continue to determine the overall size of the deposit, which has the potential to significantly add to the mine life.

Long South

Drilling south of Long has previously intersected a number of nickel sulphide intercepts in the same lava channel that hosts the \$3 billion Long ore body (Figure 2). Based on these results, the Company commenced a production scale 5 by 5.5 metre decline to drive out to and drill-test the main target area beneath Victor, Victor South and McLeay. The decline is expected to be completed in February 2006. Only limited drilling occurred during the year immediately south of Long, however this drilling confirmed the presence of the high-MgO Long lava channel and down-hole geophysics defined a TEM conductor beneath the decline which will be drill-

tested in the coming year. The decline face has now advanced far enough to undertake an aggressive drilling campaign to test the lava channel south of Long. This has just commenced and will continue throughout the 2005/6 year. A large discovery would be expected to have a significant impact on the Company's long-term future.

Long North Target

WMC only drilled two underground holes testing for nickel sulphide repetitions north of Long. Both holes intersected nickel sulphides and WMC down-hole TEM defined a strong off-hole conductor 350m north of the Long 14 level development. Magnetic anomalies indicate that the ultramafics hosting Long continue north of the mine, however a thick sequence of felsic intrusives separates Long from the Long North target. A significant drilling and geophysical program north of the mine is planned for the 2005/6 year.

Gibb North Target

Potential exists for other high-tenor nickel sulphide deposits within the Gibb-Victor channel north of Gibb. Surface TEM and underground drilling followed up by down-hole TEM are planned to test this prospective corridor.



Incremental Ore Targets

Incremental ore targets include:

Long Surrounds

Follow-up drilling of TEM anomalies has intersected 4.41m @ 16.2% Ni and 3.43m @ 4.5% Ni above and south of Long, outside current resource blocks. Other TEM anomalies remain to be followed up (eg north of 9 level) and there is potential for new fault-remobilised high-tenor nickel sulphide shoots beneath Long.

Victor-Gibb South Target

To date little exploration has been undertaken to test the high-tenor upper lava channel between Victor and Gibb South. A surface drilling program with follow-up down-hole TEM is planned to test magnetic anomalies between the two deposits for short strike-length, high-tenor, Gibb South style mineralisation.



Exploration

The key to the Company's exploration objective is to continually identify, secure and explore the most prospective targets. Independence is continually seeking to utilise new and innovative technology and ideas to improve its chances of discovery.

EXPLORATION

Philosophy

Independence Group is focused on increasing shareholder wealth and believes that the discovery of a large, high-grade gold or nickel deposit in Australia would substantially increase the value of the Company. Given exploration is a high risk investment, the Company has developed a set of principles to reduce this risk and improve the chances of success.

The Company's exploration targeting favours ore deposit types amenable to rapid evaluation and project turnover and that have the potential to be brought into production within a short time-frame. The commodity focus is based on the wealth of experience and technical expertise within the Group and the country focus is also based on careful consideration of endowment, geological potential, political risk and operational logistics based primarily on in-house experience.

The key to the Company's exploration objective is to continually identify, secure and explore the most prospective targets. At the project stage, ongoing critical assessment of multi-disciplinary exploration results maximises the chance of meeting this objective. Independence is continually seeking to utilise new and innovative technology and ideas to improve its chances of discovery.

The Independence Group Board is committed to ensuring that the exploration effort is well-funded to ensure that multiple projects can be simultaneously assessed. As a result, assessment can be based on quality exploration results, with only the best quality projects retained and further funded by the Company.

2005/6 Exploration

A significant proportion of Australian mineral fields are under sand, lake or younger rock cover, which hinders many standard exploration techniques. Many opportunities exist in these areas to locate large ore bodies close to existing infrastructure, using improved or new exploration technology and concepts.

Investment in exploration by Independence and its partners over the past twelve months has advanced a number of exciting projects including McLeay (Ni), Long South (Ni), Tropicana Joint Venture (Au), Mt Isdell (Cu, Pb, Zn, Au), Dalwallinu (Au) and the Mt Padbury Joint Venture (Au).

As more of the Company's long-standing tenements are now being granted, the 2005/6 financial year will see a shift towards more advanced exploration programs, including a significant commitment to drilling high priority targets.

Exploration Budget

	2005/6 Budget
Nickel exploration	2.1m
Gold exploration	2.2m
Long mine/near-mine exploration	2.0m
Long South and other exploration declines	4.0m
Total	\$10.3m

The continued assessment of the WMC Diamond Division geochemical database and both the WMC Diamond Division and De Beers chromite microprobe databases are also expected to generate new projects in the forthcoming year.

WMC Diamond Division Database

Independence has 100% equity in metal projects generated from an extensive geochemical and mineralogical database comprising over 24,000 samples collected by WMC using proprietary sampling, processing and analytical techniques between 1979 and 1997 (Figure 11). The samples were processed to separate the ironstone component from the fine heavy mineral fraction prior to mineralogical assessment. The residual fractions were also retained for later geochemical analysis. WMC is entitled to a 1.5% gross royalty from any discoveries directly generated from the database. It is estimated that it would cost over \$40 million to replicate this database.

Numerous geochemical targets covering a range of commodities have been identified to date. Nine gold and four nickel projects have been pegged and initial fieldwork and reconnaissance programs have commenced. Other high priority targets have been identified and are in the early stages of assessment.

In addition to the geochemical samples, the heavy mineral concentrates may contain 'indicator minerals', such as gold, platinum, gahnite, tantalite, cassiterite and some species of chromite that directly indicate the presence of nickel mineralisation. The analysis of indicator mineral data in conjunction with assays of the ironstone fraction therefore represents a potentially powerful exploration tool.

The WMC database provides Independence with the opportunity to continue generating new exploration targets until the termination of the agreement in August 2009.

Exploring for Nickel Sulphides Using Chromites

Independence has developed an in-house nickel targeting technique using characteristics of chromite grains collected initially for diamond exploration. The Company believes that criteria can be applied to identify grains that are likely to have formed within komatiitic nickel sulphides. The Company has also identified chromite signatures for some known nickel sulphide bearing ultramafic sequences which have been applied to locate new possible prospective areas. (Figure 4). As well as identifying existing nickel sulphide camps such as Cosmos, Kambalda, Widgiemooltha, Scotia and Ravensthorpe, numerous other new nickel target areas have been delineated using these techniques. It is hoped that this new technology results in the discovery of new massive nickel sulphide deposits.

Chromite data from the WMC Diamond Division Database (approximately 30,000 grain analyses) and from the De Beers Joint Venture (currently approximately 192,000 grain analyses) is being used to target possible prospective portions of the Archaean belts, in the search for Kambalda and Cosmos style high-grade sulphide nickel deposits. Further assessment of the databases is ongoing in order to apply the technology to other deposit styles and potential target areas.

De Beers Chromite Database

Based on the initial success of using chromite information from the WMC Diamond Division database, Independence Group entered into a joint venture agreement with De Beers Exploration Australia Limited (De Beers). This agreement gave Independence immediate access to the highest priority portion of De Beers Australian chromite database to explore for nickel sulphide deposits and the option, subject to further approval by De Beers, to access their entire Australian non-kimberlitic chromite database (Figure 6). The De Beers database is by far the most extensive and detailed chromite database in Australia.

Under the terms of the agreement, Independence, at its sole discretion, is free to peg new projects based on information from the database. De Beers has the right to acquire a 70% interest in any nickel or other non-diamond deposit with an in situ value in excess of A\$1 billion, and any diamond deposit with the potential based on feasibility studies to have an average annual production valued in excess of A\$50 million, by paying Independence five times the relevant project exploration expenditure up to that point. If De Beers does not exercise its rights to acquire a 70% interest in the project then De Beers is entitled to a 2% royalty.

Independence currently holds eight projects which have originated from chromite targeting.

New Exploration Technology and Techniques

The technical and research relationships Independence has developed have produced a number of new and improved tools, particularly in the field of geophysics, both for in-mine use and for regional exploration. Of particular note is the development of the EM Torch System and advancements in surface and down-hole mag TEM systems and processing.

Mag TEM systems provide the advantage of being able to identify bodies of conductive nickel sulphides in the highly conductive regolith and salty groundwater environments of Western Australia, including beneath the extensive salt lake cover. Conventional EM systems do not work in these types of environments. The advances in the technology and processing also enable the systems to effectively “see deeper” and provide better discrimination of anomalies associated with non-economic geological features such as conductive shales.

Independence also has an agreement with Anglo American Exploration (Australia) Pty Ltd (AAE), which gives Independence the exclusive licence to use AAE’s new SQUID technology to explore for nickel in specified areas of the Yilgarn in Western Australia. The region for which Independence has the exclusive licence is considered to be highly prospective for nickel sulphides.

The low-temperature SQUID has 5 to 10 times the sensitivity of other TEM sensors presently used, and as such is expected to provide considerable advantage in discovering highly-conductive (high-tenor massive nickel sulphide) bodies under highly-conductive cover, such as salt lakes, conductive clays and in terrains containing shallow highly-saline groundwater. A large amount of prospective ultramafic stratigraphy is known to exist under areas such as these in the Yilgarn.

Independence is also currently sponsoring post-graduate research in relation to specific styles of high-level gold and base metal mineralising systems and is involved in a number of collaborative research projects.

Independence has invested in its own key geophysical equipment and dedicated geophysical crews are employed by Independence to operate this equipment. Because there is only a limited number of contract geophysical crews currently servicing the industry, the waiting periods for access to equipment and crews (as well as mobilisation and data acquisition costs) can be significant and often result in major program delays. By owning and operating its own equipment, Independence has eliminated these problems. Not only does this make Independence a more efficient explorer, it also serves to make Independence a preferred joint venture partner enabling access to more prospective areas.

REGIONAL NICKEL EXPLORATION PROJECTS

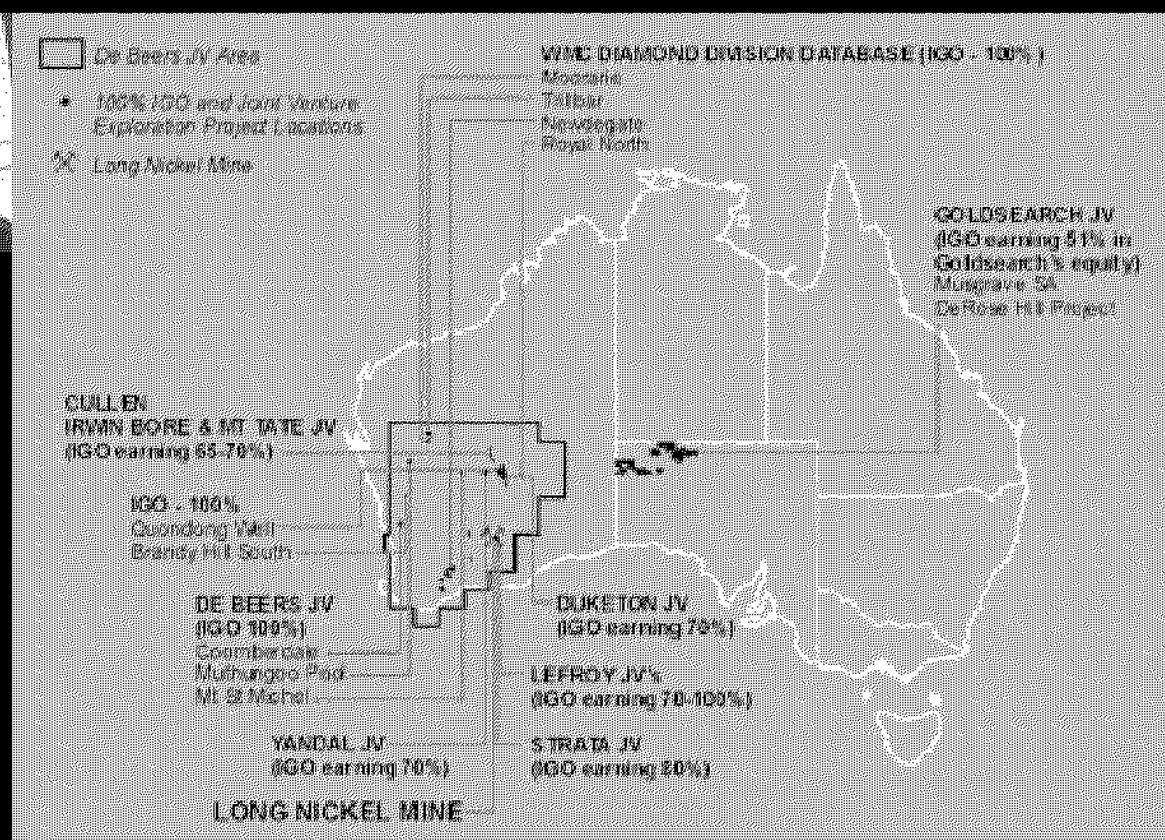
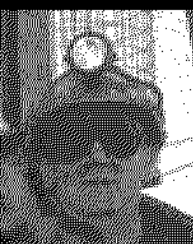


Figure 6: Independence Nickel Project Locations

Previous Exploration History

The Company commenced regional nickel exploration in early July 2003 with the aim of discovering new high-grade low cost nickel mines in the Yilgarn block. Expenditure to 30 June 2005 is \$1.9 million. The WMC and De Beers geochemical and chromite data bases combined with state of the art geophysical TEM technology and expertise, have given IGO a considerable technical advantage. Targets to date include blind nickel sulphides in known belts and new potential nickel sulphide camps. Twelve conductors have been identified to date which require follow-up.

Future Investment Strategy

Since the 1970's nickel boom, generally very little regional nickel exploration has been undertaken in Australia. The Company's chromite technology, although yet to be proven, does identify known fields and has also generated numerous stand alone anomalies. The Mag TEM and SQUID TEM sensors give the Company a considerable technological advantage, especially in covered or highly saline terrain. Independence has commenced a study to define and rank world-wide nickel provinces to ensure exploration funds are spent in the most prospective terrains.

DUKETON JOINT VENTURE

Commodity: Nickel

Project Generation: Conceptually Targeted

IGO earning 70% nickel rights (South Boulder Mines Ltd Diluting)

Geological Setting: Under-explored Archaean Ultramafic Belt

Independence has entered into an agreement with South Boulder Mines Ltd to earn 70% of the nickel rights on tenements held by South Boulder in the Duketon greenstone belt (Figure 7).

The Duketon belt is considered highly prospective for nickel sulphide deposits and has seen little nickel exploration using modern technology. It is believed the extensive transported cover in the belt would have significantly hindered previous explorers, and in-house new technology held by Independence will give the joint venture an advantage in this terrain.

Independence is free to nominate tenements to be included in the joint venture from all existing and future tenements held by South Boulder in the defined area.

The focus of exploration during the year was on the Camp Oven and Bulge Prospects.

Camp Oven

Rock chip sampling of a small exposure of weathered olivine cumulate ultramafic returned strongly anomalous results including 2.3% Cu, 0.9% Ni, 0.7g/t Pt, 0.68g/t Pd and 0.4g/t Au. Soil and lag geochemical surveys along strike from the outcrop supports this anomalism with results up to 0.34% Ni, 406ppm Cu, and 140ppb Pd. A drill program is planned to test this rock chip anomalism and associated geophysical anomalies in 2005/6.

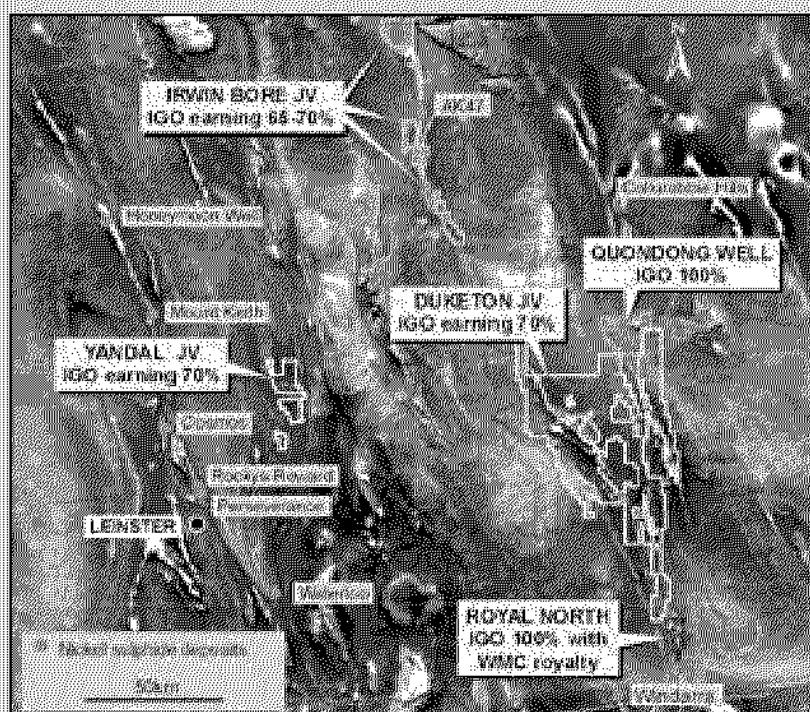


Figure 7: North Eastern Goldfields Nickel Project Locations Over Magnetic Image

Bulge

TEM surveying at the Bulge prospect, 14km south of Camp Oven, has delineated strong bedrock conductors associated with interpreted ultramafic stratigraphy (Figures 8a and 8b). Surface lag geochemical sampling in the area has been ineffective because of transported cover over a partially stripped profile. The anomalies will be drill tested once access approvals are in place.

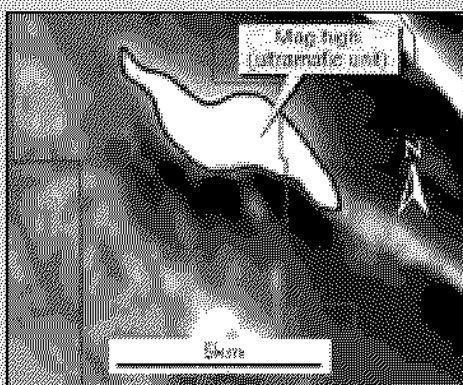


Figure 8a: Duketon JV - Bulge Magnetic Image

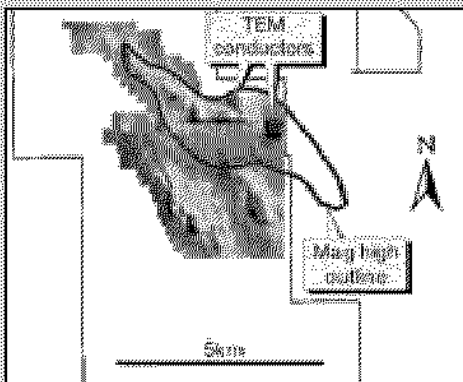


Figure 8b: Duketon JV - Bulge Magnetic Outline Over TEM Conductors

IRWIN BORE, MT TATE & NEW TAFFY WELL JOINT VENTURES

Commodity: Nickel

Project Generation: Conceptually Targeted

IGO Earning Up To 70% Nickel Rights (Cullen Resources Ltd and CO2 Group Limited Diluting)

Geological Setting: Under-Explored Archaean Ultramafic Belt

Independence has entered into an agreement with Cullen Resources Limited (Cullen) to explore for nickel on its 90%-owned Irwin Bore and 100%-owned Mt Tate (including New Taffy Well) projects. The two project areas adjoin the Cullen-WMC Resources Ltd Gunbarrel Joint Venture, where work by WMC to date has discovered massive nickel sulphide mineralisation at the AK47 prospect. The Irwin Bore and Mt Tate projects cover possible strike extensions to the prospective ultramafic stratigraphy at AK47 (Figure 7).

The remaining 10% of the Irwin Bore project is held by CO2 Group Limited. This interest is free carried to completion of a pre-feasibility study, at which point it can be converted to a 1% net smelter royalty.

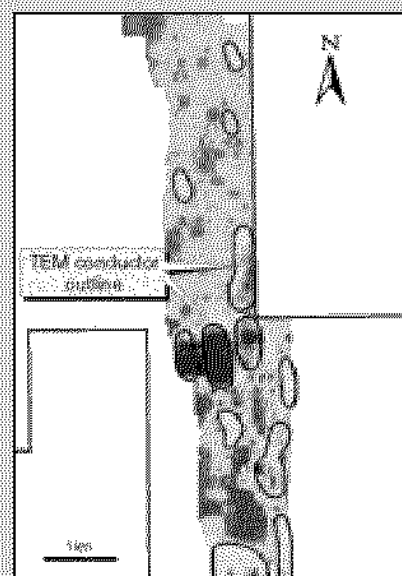


Figure 9a: Cullen JV - TEM Conductors

Wide-spaced geochemical sampling was completed over the interpreted location of the entire prospective ultramafic sequence within the JV area. The aim of the survey was to enable scheduled ground EM geophysical surveys to focus on areas with elevated nickel suite geochemistry.

Overall the results from the survey were encouraging, with eight areas of initial interest identified. In these areas clusters of samples returned elevated nickel suite assays over areas interpreted to be underlain by ultramafic rocks. Peak soil geochemical responses were 1050ppm Ni, 164ppm Cu, 1790ppm Cr, 37ppb Pd and 34ppb Pt.

During the year systematic surface TEM surveying was completed over the target stratigraphy resulting in the identification of numerous bedrock conductors. These conductors have been ranked according to association with known and interpreted ultramafic stratigraphy and previously identified surface geochemical anomalism.

Several high priority areas requiring drill testing have been delineated (Figures 9a and 9b). A heritage survey has been completed and a drilling program to test the targets for nickel sulphide mineralisation is scheduled for 2005/6.

YANDAL JOINT VENTURE

Commodity: Nickel

Project Generation: Chromite Targeting

IGO Earning 70% Nickel Rights (Audax Resources Ltd diluting, WMC 1.5% Gross Royalty)

Geological Setting: Under-explored Archaean Ultramafic Belt

During the year Independence entered into a Joint Venture with Audax Resources over a package of four tenements in the Yandal Greenstone Belt (Figure 7). Under the agreement IGO can earn 70% of the nickel rights by expenditure of \$1m over three years with a minimum spend of \$100,000 in the first year.

The tenements are situated 50 to 70km north of the Waterloo nickel sulphide discovery, cover approximately 14km of strike of the main ultramafic units in the belt, and have yet to be explored by modern nickel sulphide exploration techniques.

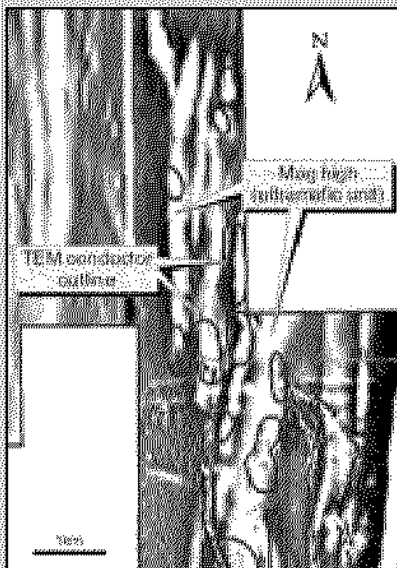


Figure 9b: Cullen JV – TEM Conductors Outline Over Magnetics

STRATA KAMBALDA JOINT VENTURE

Commodity: Nickel

Project Generation: Conceptually Targeted

IGO Earning 80% Nickel Rights (Strata Mining Corporation Limited Diluting)

Geological Setting: Interpreted Archaean Ultramafic Belt Beneath Conductive Cover

Through a JV and option arrangement, Independence has acquired tenure covering magnetic features interpreted to be potentially

prospective ultramafic stratigraphy under the Lake Lefroy salt lake 15 – 30 km east of Kambalda (Figures 10a–10c). The stratigraphy and structure are possibly analogous to the Kambalda Dome Nickel Camp. Various targets, which cannot be explored by conventional EM techniques because of conductive lake sediments, are currently being tested using Anglo American's (AAE) SQUID TEM sensor under the IGO/AAE SQUID Joint Venture. A strong conductor has already been identified and will be followed up in 2005/6.

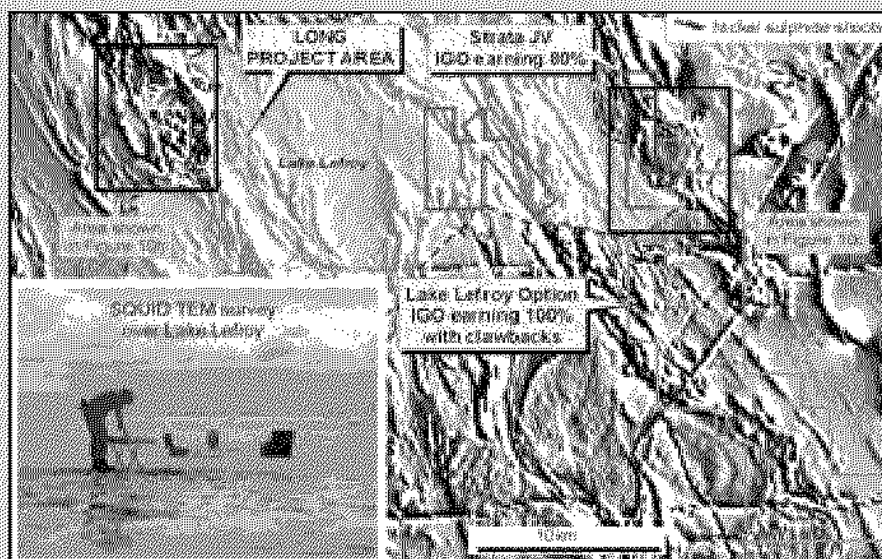


Figure 10a: Strata and Lake Lefroy JV Project Locations Over Magnetics

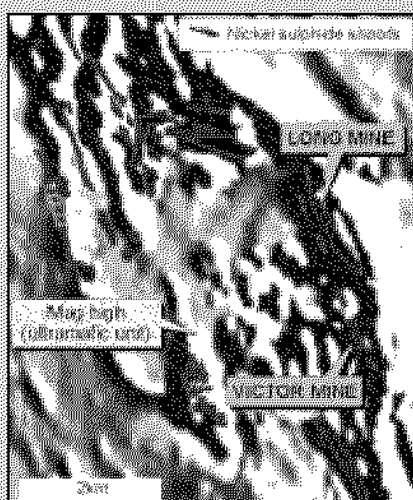


Figure 10b: Kambalda Ultramafic Dome Nickel Sulphide Shoot Location

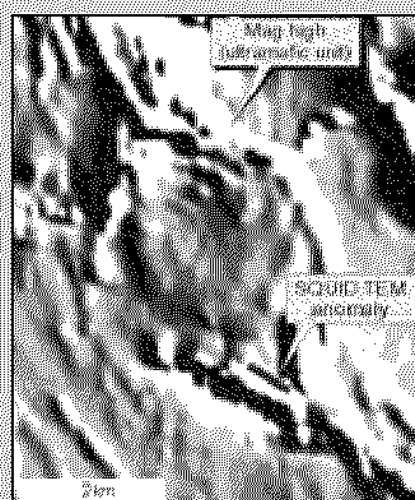


Figure 10c: Lake Lefroy Ultramafic Dome and SQUID TEM Anomaly

LAKE LEFROY JOINT VENTURE

Commodity: Nickel

Project Generation: Conceptually Targeted

IGO Earning 100% Equity Subject to Gold Claw-back Rights (Anglogold Ashanti Australia Limited Diluting)

Geological Setting: Interpreted Archaean Ultramafic Belt Beneath Conductive Cover

Through a purchase arrangement, Independence has acquired tenure covering magnetic features interpreted to be potentially prospective ultramafic stratigraphy under the Lake Lefroy salt lake 15 – 30 km east of Kambalda (Figure 10a). The stratigraphy and structure are possibly analogous to the Kambalda Dome Nickel Camp. Various targets, which cannot be explored by conventional EM techniques because of conductive lake sediments, are currently being tested using Anglo American's (AAE) SQUID TEM sensor under the IGO/AAE SQUID Joint Venture.

GOLDSEARCH MUSGRAVE SA JOINT VENTURE

Commodity: Nickel, Gold and Base Metals

Project Generation: Conceptually Targeted

IGO Earning 51% Equity (Goldsearch Limited Diluting)

Geological Setting: Under-explored Proterozoic Musgrave Complex

Independence is earning a 51% interest in tenements and applications covering approximately 18,200 square kilometres of the South Australian portion of the Musgrave Block (Figure 6). The tenement applications within the freehold Anangu Pitjantjatjara Lands are progressing towards being granted whilst exploration programs continue on granted tenements over pastoral leases to the east.

Geophysics and geochemistry is being used to test for nickel sulphide mineralisation associated with the upper Proterozoic Giles Complex and associated mafic and ultramafic intrusive rocks equivalent to those hosting WMC's Nebo and Babel sulphidic Ni-Cu-PGE discoveries in Western Australia.

OTHER NICKEL PROJECTS

A total of seven other Exploration Licence applications have been pegged to cover prospective nickel targets in the Archaean Yilgarn Block, based on conceptual targeting and geochemical and chromite database information (Figure 6).

REGIONAL GOLD EXPLORATION PROJECTS

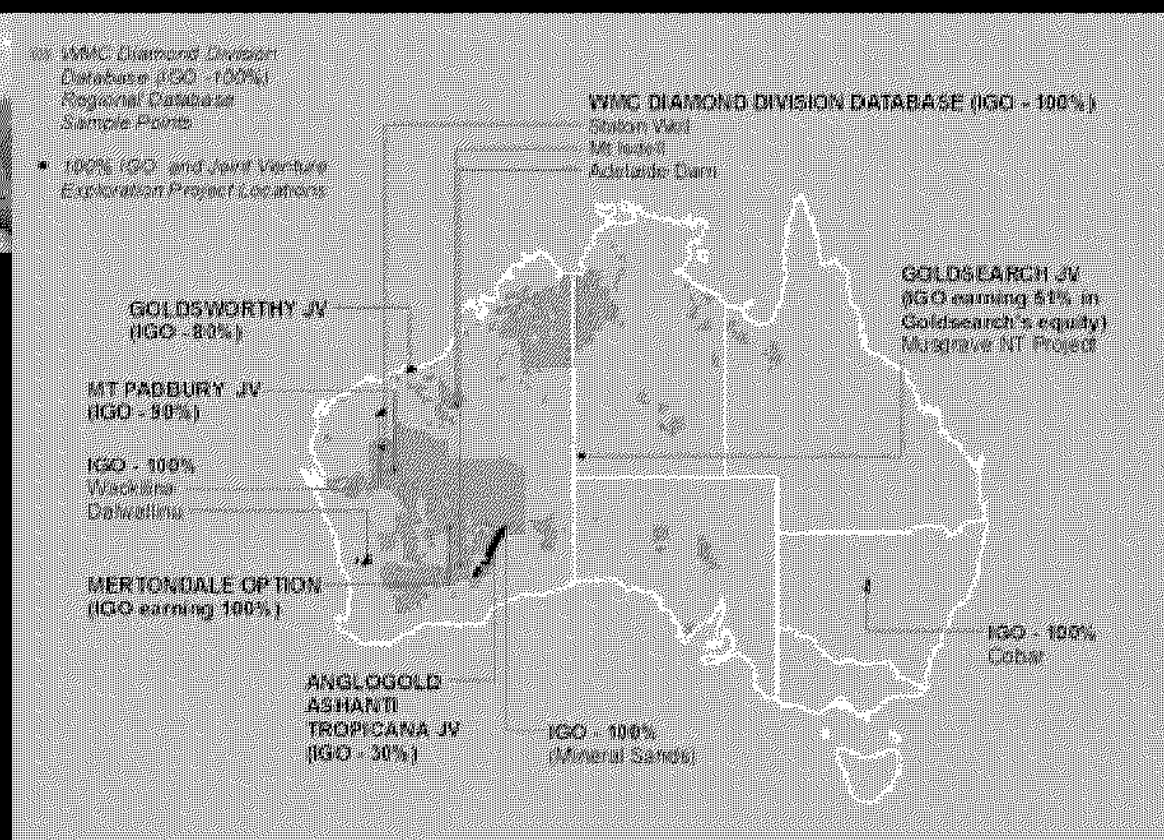


Figure 11: Independence Gold Project Locations

Previous Exploration History

To date Independence has spent over \$7 million exploring for gold in Australia predominantly focusing on WMC data base and conceptual greenfields targets. At Tropicana, a number of strong gold anomalies have been defined which may lead to economic mineralisation.

Work is continuing on the Tropicana, Mt Isdell, Mt Padbury and Dalwallinu projects. Over the last six months 11 gold projects have been relinquished, leaving 19 regional gold plays, excluding Tropicana which is managed by AngloGold Ashanti.

Future Investment Strategy

One of the Company's strengths is underground mining and Independence is targeting the delineation of high-grade/low cost resources close to existing mills and suitable for underground extraction. Conceptual targeting using in-house gold distribution criteria and stress analysis are being used to generate new high-quality targets in Australia, especially in the less explored States of Queensland and NSW.

TROPICANA JOINT VENTURE

Commodity: Gold

Project Generation: Conceptually Targeted

Target: >1.0m Oz Archaean/Proterozoic Gold Deposit

IGO Diluting to 30% (Manager: AngloGold Ashanti Limited Earning 70%)

Geological Setting: Yilgarn – Fraser Archaean/Proterozoic Collision Zone

The Tropicana Joint Venture comprises approximately 8,000km² of tenure over a strike length of 350km along the Yilgarn Craton – Fraser Range Mobile Belt collision zone (Figure 12). Prior to the Independence-AngloGold exploration, very little gold exploration had been completed in the region.

The JV partners are currently testing this extensive tenement package by various surface geochemical techniques followed by drilling where warranted.

Though surface sampling is ongoing, it has already generated a number of large gold anomalies including Tropicana, Rusty Nail, Black Feather and Kamikaze Prospects (Figure 13).

Preliminary drill testing of the Tropicana prospect early in 2005 returned encouraging results, including 14m @ 2.1g/t Au. Follow-up diamond drill testing in mid-2005 returned strong gold intersections including 38m @ 3.0g/t Au (including 10m @ 7.9g/t Au) and 26m @ 2.2g/t Au (including 10m @ 4.1 g/t Au) at the north eastern end of the prospect area (Figures 14 and 15).

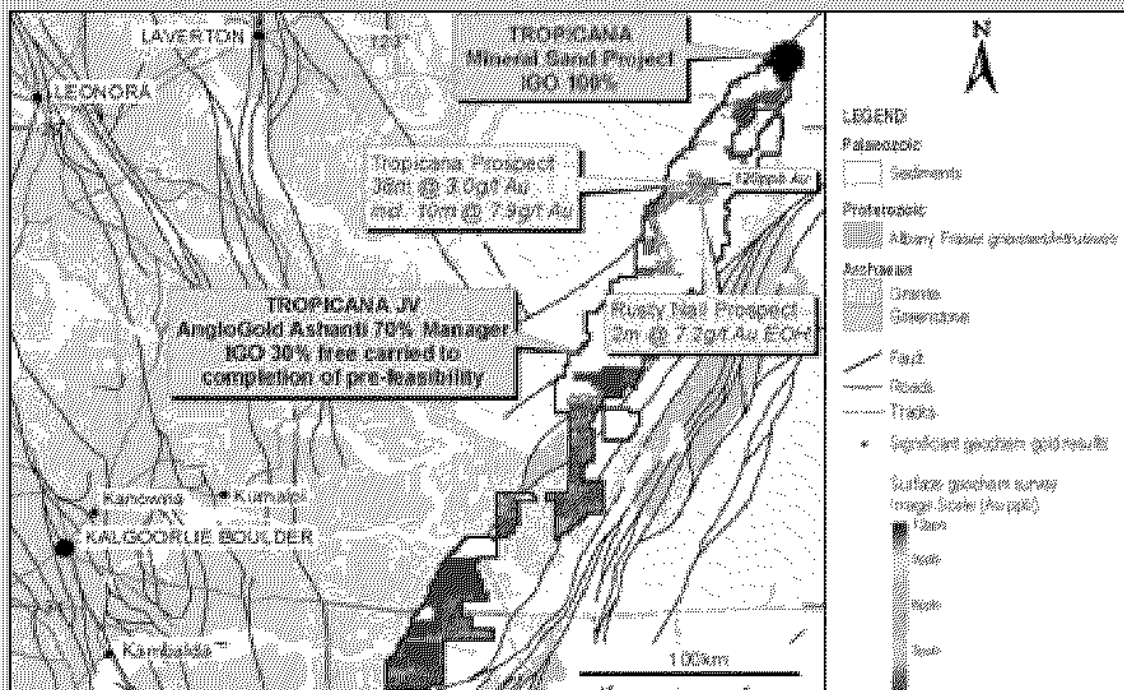


Figure 12: Tropicana JV – Regional Tenure and Geochemical Anomalies

First pass aircore drilling at the Rusty Nail prospect, 7km to the south west of Tropicana, has also returned mineralised intercepts including 2m @ 7.22 g/t Au (Figure 13).

Mineralisation is associated with broad, intensely pyritic and sericitic alteration zones in a package of metamorphic rocks. Induced polarisation surveys at Tropicana suggest the sulphidic zone is in excess of 2km in strike length. Mineralisation style is considered to have affinities to large intrusion

related gold ore bodies such as Pogo in east-central Alaska.

Both Tropicana and Rusty Nail are open at depth and along strike. Given that they are the first of numerous prospect areas to be drill tested, the project is considered to have very good potential to host a significant ore body. Accordingly, the project managers AngloGold have committed to a major RC drilling program on the project for 2005/6.

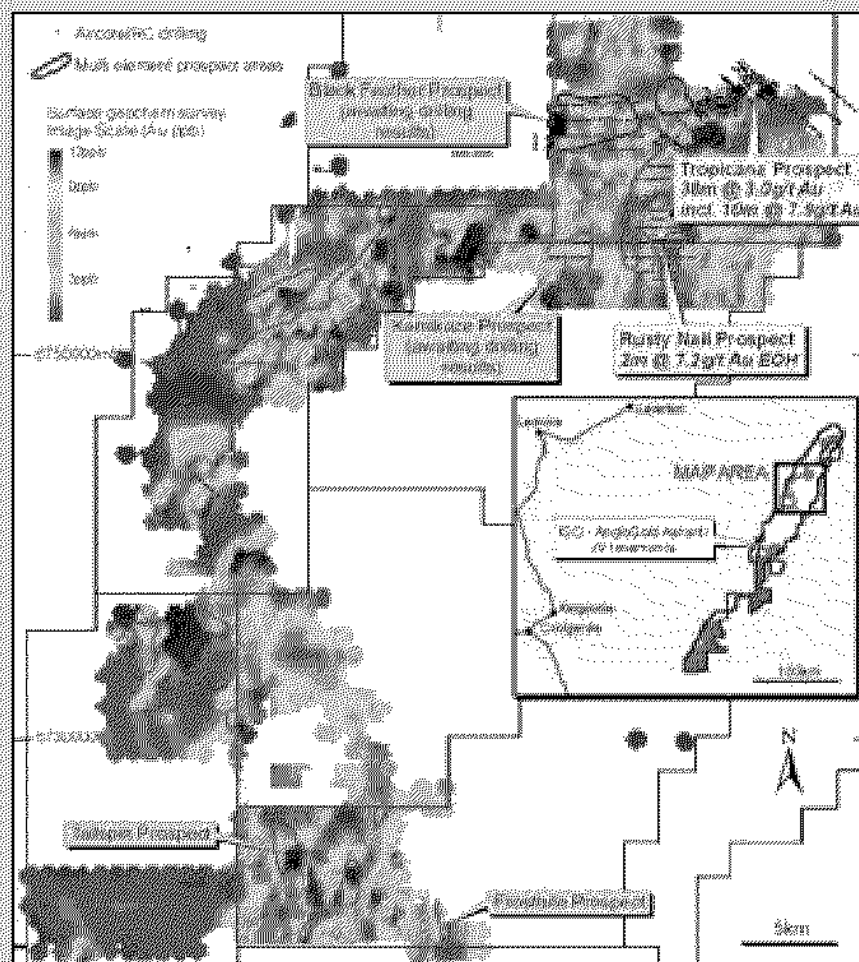


Figure 13: Tropicana JV – Tropicana and Rusty Nail Au Anomalies and Significant Gold Drill Results

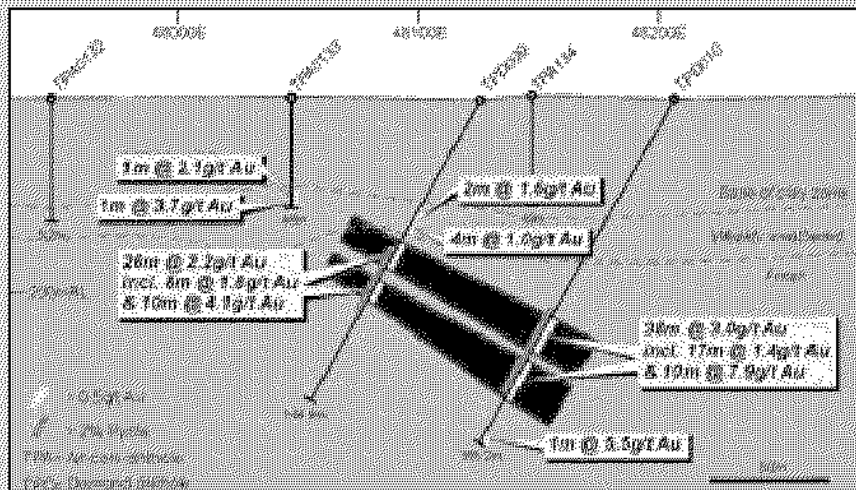


Figure 14: Tropicana JV – 14,350m N Cross Section Showing Significant Gold Drill Results

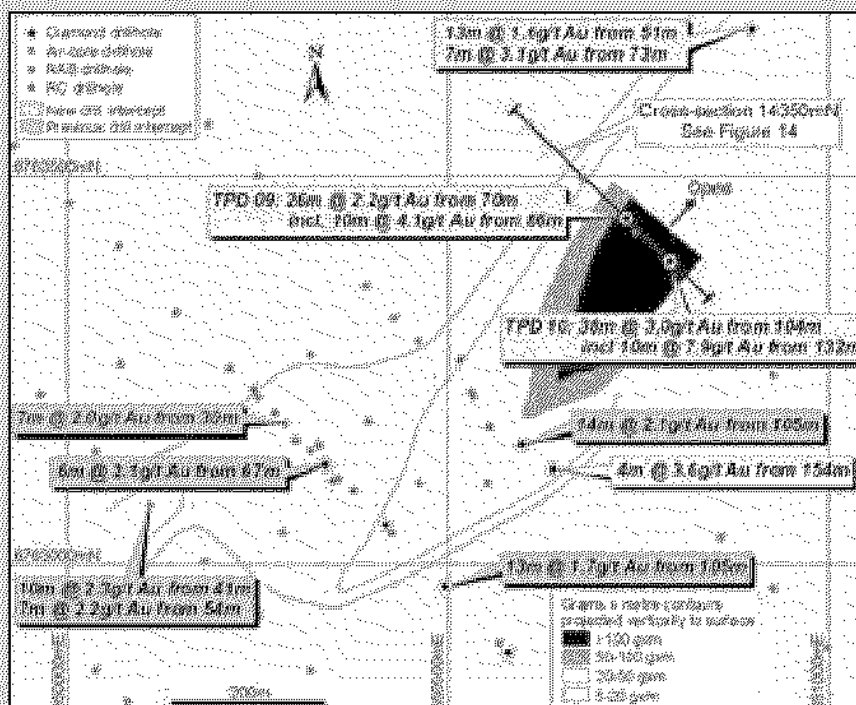


Figure 15: Tropicana JV – Plan Showing Drill-hole Collars, Significant Intersections and g/t Au by metre Thickness Contours

DAWYALLING

Commodity: Gold

Project Generation: Conceptually Targeted

Target: 0.5m Oz Archaean Gold Deposit

IGO 100%

Geological Setting: Under-explored Archean Greenstone

The Dalwallinu Project is centred approximately 60km south-south-west of the 1 million ounce Mt Gibson gold deposits.

Reconnaissance-style, wide-spaced roadside geochemical sampling completed last year defined elevated gold to 180ppb Au with associated pathfinder elements at two locations approximately 30km apart (Figure 16a).

Due to access constraints on farmland, only one area, referred to as the Pithara Prospect, has been followed up to date.

Pithara

Auger sampling on 200m by 50m spacings delineated a high order gold anomaly covering a strike length of 1.2km (50ppb contour). First pass RC drill testing of the anomaly returned up to 2m @ 1.93g/t Au from 89m in PTRC008 and 1m @ 2.24g/t Au in PTRC010 associated with highly deformed amphibolites (Figure 16b). The highly deformed nature of the host lithologies suggests that mineralisation may occur as plunging shoots with relatively short strike lengths. Infill auger sampling is planned for 2006 to assist in delineation of the shoot positions.

Additional anomalous areas defined in the regional lag sampling program will be tested as ground access becomes available following the cropping season.

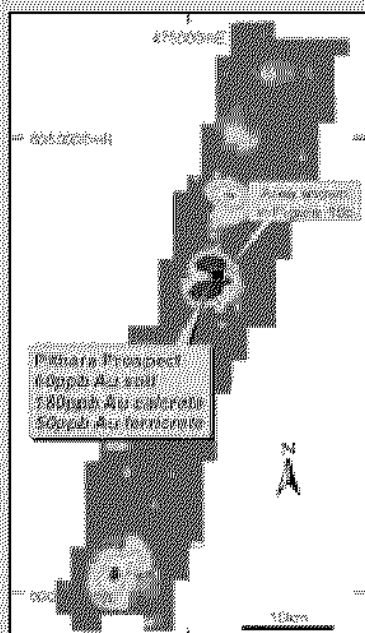


Figure 16a: Dalwallinu Project
— Regional Au Anomalies

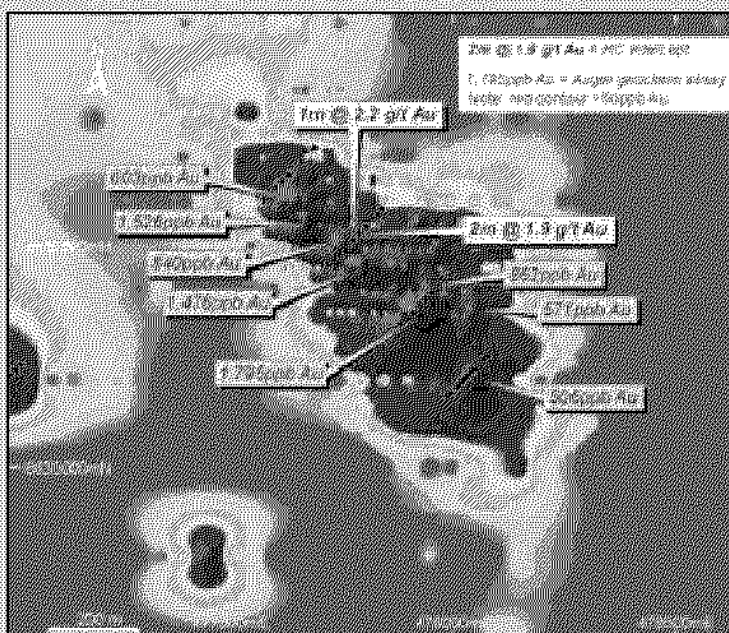


Figure 16b: Dalwallinu Project – Pithara Au Auger Anomaly and Drill Results

MT PADBURY JOINT VENTURE

Commodity: Gold

Project Generation: Conceptually Targeted

Target: High-Grade Open-Cut/Underground Gold Mine, South of the Fortnum Gold Mine

IGO Earning 90%

Geological Setting: Narracoota Volcanics Within the Bryah Palaeoproterozoic Basin

Regional 400m by 400m lag sampling with 100m infill has delineated four high order gold anomalies over mafic and ultramafic rocks of the Narracoota Volcanics within the Bryah Basin, south of the Fortnum Gold Mine (Figure 17).

Wood Creek

Gold to 542ppb over an area of approximately 800m by 400m supported by rock chip values to 2.4 g/t Au in quartz veining. The anomaly is open to the south under a large floodplain.

Rudd's Ridge

Gold to 212ppb over an area of 400m by 400m associated with strong arsenic anomalism. Rock chips from small quartz veins in sediments have returned up to 0.5 g/t Au.

Dorrah

Mainly covered by alluvium with gold to 50ppb. The prospect is situated immediately east of Meteoric's Harrod Gold Prospect.

Bare Flat

Gold in soil to 89ppb over an area of 250m by 50m.

These targets will be drill tested following completion of access approvals.

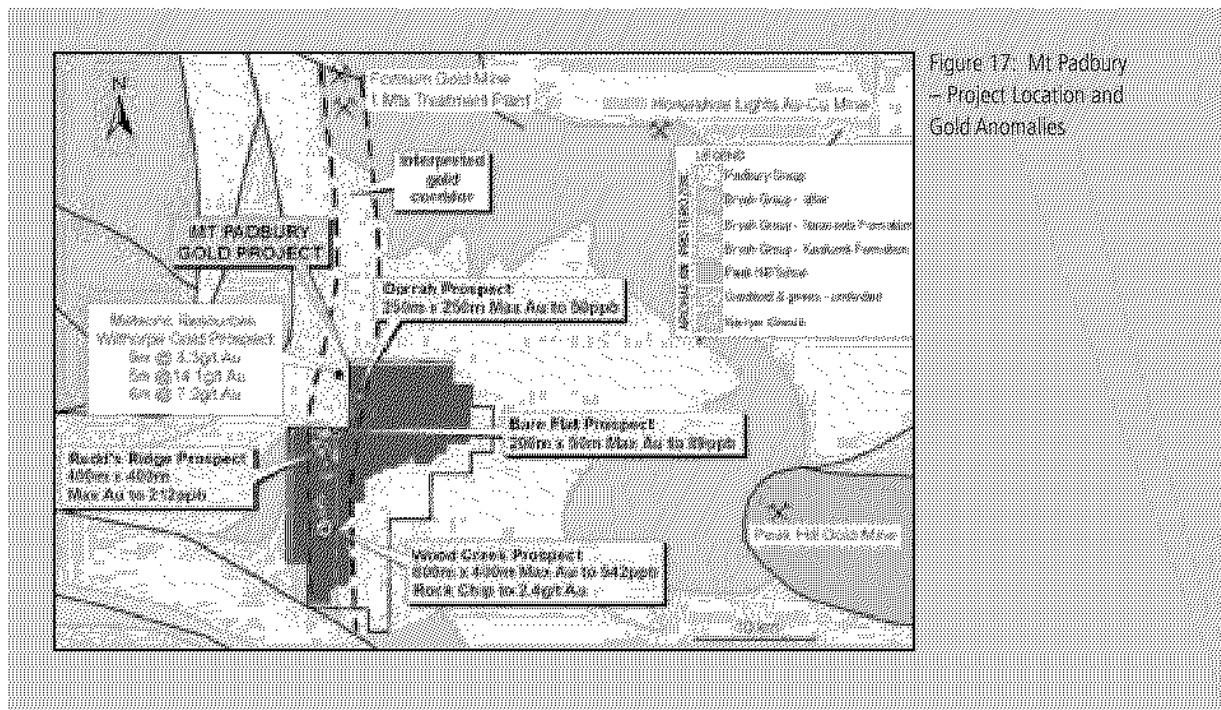


Figure 17: Mt Padbury – Project Location and Gold Anomalies

GOLDSWORTHY JOINT VENTURE

Commodity: Gold and Nickel

Project Generation: Conceptually Targeted

IGO Earning 80% (Owner: CO2 Group Limited, Diluting)

Geological Setting: Gold-mineralised Mallina and Indee Fault Structures In Archaean Pilbara Block

Wide-spaced air core drilling to test geophysical targets identified a number of significant gold geochemical trends north-east of the Indee and Wingina gold discoveries.

At the TG1 target, drill traverses tested approximately 6km of strike of the main east – west trending shear zone. All traverses intercepted elevated Au, As and Sb mineralisation over wide intervals, with individual 1m samples up to 2.6g/t Au.

At the TG2 target, follow up drilling of EM targets returned elevated gold up to 1m @ 4.28 g/t Au.

Detailed aeromagnetic and gravity surveys were completed to assist with delineation of gold targets with favourable litho-structural positions. Results to date suggest the major structures in the area have at some time acted as large conduit systems for significant volumes of potentially mineralising hydrothermal fluids.

Independence is earning 80% in the project by free-carrying CO2 Group Limited to completion of a pre-feasibility study.

Atlas Gold has an option to earn the iron ore rights on four of the tenements.

COBAR

Commodity: Gold and Base Metals

Project Generation: Conceptually Targeted

Target: >0.5m Oz High-grade Gold Deposit, Cobar-style Sediment Hosted Base Metals

IGO 100%

Geological Setting: Ordovician and Devonian Basin Margins within the Northwest Portion of the Lachlan Gold Belt

Five exploration licences have been applied for to cover conceptual gold targets along basin margins in the Cobar and base metal mining camp in central NSW. A number of high-grade gold mines are located in the district (eg. Peak Gold Mine – 530,000oz @ 7.3g/t Au) along with the newly defined Hera prospect (450,000 oz at 9.4 g/t Au). All exploration licences have been granted and regional geochemistry is planned for 2006.

OTHER GOLD PROJECTS

The Company also holds tenure in numerous other gold project areas (Figure 11).

OTHER METALS REGIONAL EXPLORATION

As a consequence of previous nickel and gold exploration and results from the WMC database, a number of base metal targets have been defined including the Mt Isdell project.

The Iluka Eucla Basin mineral (HM) sands discovery has led to the identification of the Tropicana Heavy Mineral Sands Prospect.

MT ISDELL

Commodity: Gold and Base Metals

Project Generation: WMC Diamond Division Database

Target: Telfer-Style Proterozoic Gold Deposit and Nifty-style Copper Mineralisation

IGO Interest: 100% Non Diamonds / 50% Diamonds (WMC 1.5% Gross Royalty)

Geological Setting: Patterson Province

The Mt Isdell project consists of two Exploration Licence applications totalling 428 square kilometres and was targeted on anomalous WMC Diamond Division samples containing up to 12ppb gold, 598ppb copper, 1031ppm cerium with anomalous arsenic and lead (Figures 18a -18d).

The project covers Proterozoic Yeneena Group meta-sediments concealed by extensive aeolian sand dune cover and is 35 kilometres south of the 26 million ounce Telfer gold resource and 80 kilometres south east of the 200,000t Cu Nifty deposit.

Limited reconnaissance follow-up by Independence returned up to 86ppb gold in rock chips and highlighted a 4 by 1 kilometre strong base metal anomaly in a favourable litho-structural setting.

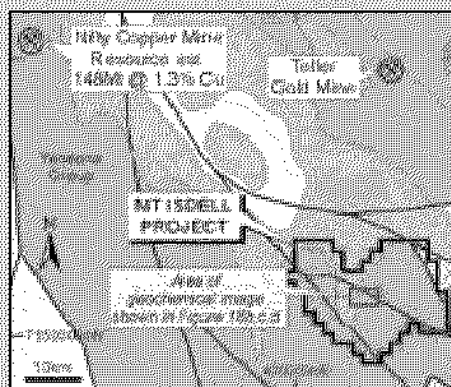


Figure 18a: Mt Isdell – Project Location

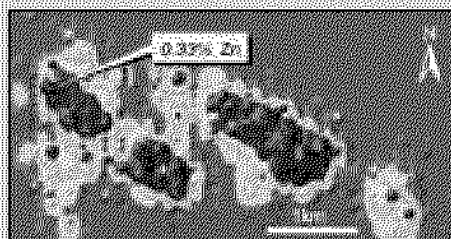


Figure 18b: Mt Isdell – Zn Geochemical Anomaly

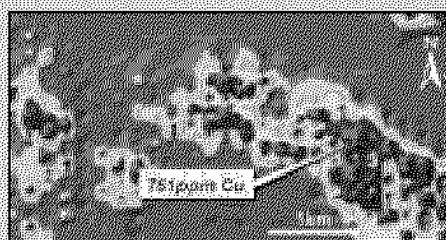


Figure 18c: Mt Isdell – Cu Geochemical Anomaly

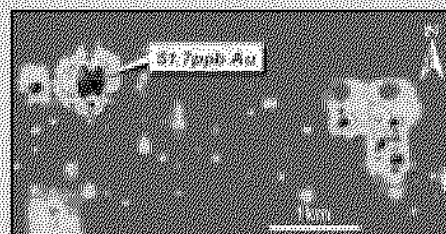


Figure 18d: Mt Isdell – Au Geochemical Anomaly

TROPICANA SANDS - HEAVY MINERAL SANDS PROJECT

Commodity: Rich Heavy Mineral Sands

Project Generation: Conceptual

Target: Zircon Rich Heavy Mineral Sand (HMS)
Deposits

IGO 100%

Geological Setting: Tertiary Strandlines Along Eucla Basin Margin

The Tropicana Sands Prospect is located on the north western margin of the Eucla Basin some 220km east of Laverton (Figure 19a). Iluka's world class Jacinth and Ambrosia zircon-rich HMS discoveries (8mt combined HMS including 4mt zircon) are located on the north eastern margin of the Eucla Basin in South Australia.

The project area occupies a pronounced east-facing palaeo-embayment immediately adjacent to an interpreted Tertiary palaeo-channel in the direction of the longshore drift when the basin margin was active. This setting is considered highly favourable for the formation of HMS deposits (Figure 19b).

Initial broadspaced reconnaissance surface sampling traverses returned low-level HMS concentrations, however samples were strongly diluted by recent aeolian sand cover.

A reconnaissance aircore program to test for HMS strandlines beneath aeolian sand cover is currently in progress.

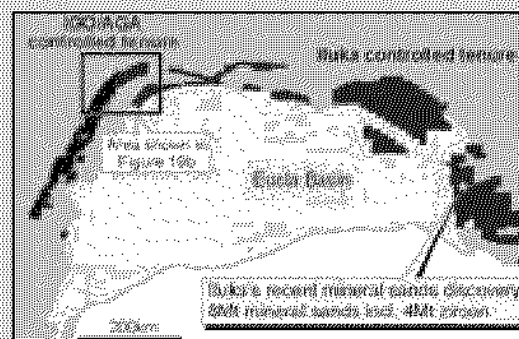


Figure 19a: Tropicana Mineral Sands – Project Location

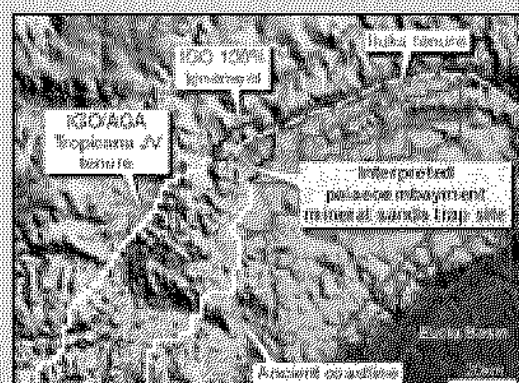


Figure 19b: Tropicana Mineral Sands – Potential Trap Site

Other Investments

Exploration is high risk and the Company therefore also plans to grow via corporate acquisitions, using the investment criteria outlined below:

- Production costs preferably in the lowest third of world-wide cash costs.
- Long term mine-life with sustainable revenue margin.
- Favourable capital cost and cash generation timing.
- Significant exploration upside.

Independence will continue to evaluate Australian companies who have tenure which may contain new mines or extensions to known mining camps. Due to current high metal prices and Australia's high ranking as a safe investment country many Australian assets are considered to be overvalued. The Company has commenced a search for nickel and gold investment opportunities in stable overseas countries where our corporate and technological skills can be best utilised to create shareholder wealth.

MATRIX METALS LIMITED

Commodity: Copper

IGO 19%

During the year, Independence purchased 19% of the listed shares in Matrix Metals Limited. During the June 2005 quarter, the Company completed its preliminary assessment of the White Range project. Independence believes that while economic, additional ore sources are needed to maximise the profitability and mine life of the project.

During the June quarter, Matrix announced further significant drilling results from the Mt McCabe

deposit (White Range satellite prospect) which could provide the additional required tonnages. Details released by Matrix are as follows:

- Drilling has now confirmed copper mineralisation extends over an area of approximately 1.2km by 0.7km and to a depth of 300m. Mineralisation remains open in all directions.
- Geochemical sampling has further extended copper anomalism 1.25km to the south, 1.25km to the north and 2km to the east.
- Significant intersections reported from the diamond drilling at McCabe Central include:

Prospect	Hole No.	Northing (m)	Easting (m)	RL (m)	Azimuth (degr.)	Dip (degr.)	E.O.H (m)	From (m)	To (m)	Width (m)	True Width (m)	Grade (Cu%)
McCabe Central	MMXRD01 (including)	7,670,247	446,904		230	-60	280	211	269	58		1.61
								235	263	28		2.93
McCabe East	MMXRC04	7,670,262	447,009		174	-60	100	29	63	34		1.00
	MMXRC18	7,670,293	447,005		174	-60	179	46	114	68		1.02
	(including)							98	110	12		3.60
McCabe North	MRC11	7,670,520	446,874		200	-60	80	52	66	14		1.20

Matrix has also commenced a major drilling program with the aim of delineating additional resources at White Range.

SOUTHSTAR DIAMONDS LIMITED

Commodity: Diamonds

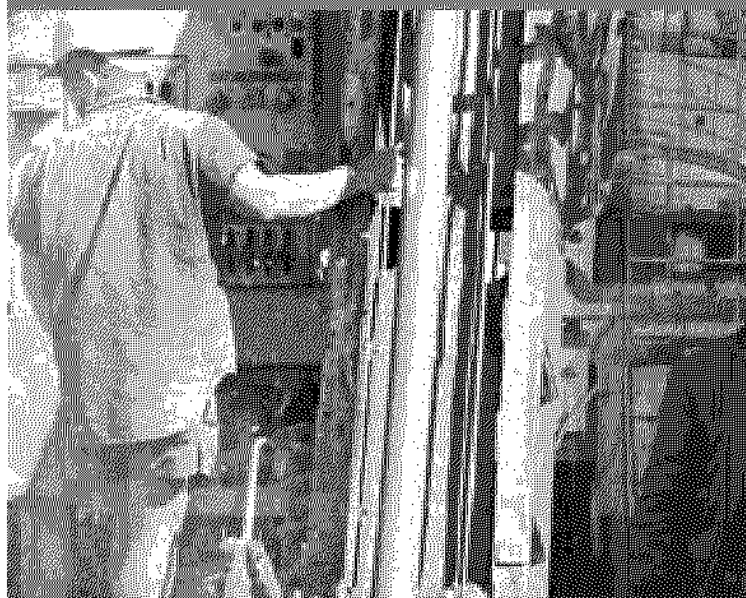
IGO 50%

Southstar Diamonds Limited (Southstar) is an unlisted company which has been established to evaluate the diamond component of the WMC Diamond Division Database and the recently joint ventured De Beers Yilgarn diamond database. These databases contain numerous diamond indicator mineral anomalies in Australia and other countries that were not followed up for small area, extremely gem-rich diamond-bearing kimberlite pipes. Recent discoveries of similar pipes in Canada and Russia have shown the extremely high commercial value of these deposits.

A number of new technological advances have recently been made in diamond exploration, especially in more rapid and efficient diamond indicator mineral recovery, a better understanding of diamond indicator geochemistry and of where high-grade diamond pipes are likely to occur on a continental scale. Re-observing a portion of WMC's early indicator mineral observations has revealed that early observations missed many diamond indicator minerals including kimberlitic chromite grains and micro-diamonds. Approximately two thirds of the 24,000 samples in the WMC database require re-observing using current technology.

Evaluation of both the WMC and De Beers databases has generated a number of high quality targets (including kimberlites containing micro diamonds). It is planned to follow up these targets and continue exploration in 2005/6. One target area has been acquired in the north west Yilgarn.

Southstar is 50%-owned by Independence, with the other 50% owned by Perilya Ltd.





Financial Report

Independence was incorporated in May 2000 for the purpose of discovering world-class ore bodies in Australia, focusing on gold and nickel. Our philosophy is to favour ore bodies amenable to rapid evaluation and project turnover.

Through exploration success and corporate growth, the Company aims to have a number of Australian metal mines producing a significant profit to enable dividends to be sustainable.

CORPORATE GOVERNANCE STATEMENT

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

DIRECTORS' REPORT

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, platinumoids, 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
<u>7,018,100</u>		

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

Qualifications

Tenure

Special Responsibilities

- **Chairman (Non-executive) Age 62**
BSc(Hons), PhD, MAusIMM, MSEG
Board member since 2001. Chairman since 20 August 2003.
Dr Marston is on the Remuneration and Audit Committees.

Christopher Bonwick

Qualifications

Tenure

Special Responsibilities

- **Managing Director (Executive) Age 46**
BSc (Hons), MAusIMM
Managing Director and Board member since 2000.
Mr Bonwick is the executive in charge of operations and corporate development.

Kelly Ross

Qualifications

Tenure

Special Responsibilities

- **Director (Executive) Age 43**
CPA, Grad.Dip.CSP
Board member since 2002.
Ms Ross is the Company Secretary and is on the Hedging Committee.

John Christie

Qualifications

Tenure

Special Responsibilities

- **Director (Non-executive) Age 67**
CPA, ACIS
Board member since 2002.
Mr Christie is on the Remuneration, Audit and Hedging Committees.

Oscar Aamodt

Qualifications

Tenure

Special Responsibilities

- **Director (Non-executive) Age 59**
FCIS
Board member appointed 3 August 2005.
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 through 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.

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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:

	Salary & Fees	Primary Benefits			Equity Compensation	
		Cash Bonus	Non-monetary	Superannuation	Options (v)	Total (\$)
Specified directors						
R Marston (i)						
<i>Non-executive Chairman</i>	71,666	-	-	-	84,696	156,362
C Bonwick (ii)						
<i>Managing Director</i>	261,867	50,000	10,726	23,568	217,387	563,548
K Ross (ii)						
<i>Executive Director/Company Secretary</i>	156,107	15,000	14,980	14,050	108,693	308,830
J Christie (i)						
<i>Non-executive Director</i>	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)						
<i>General Manager – Long Nickel Mine</i>	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 than 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.

DIRECTORS' REPORT

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	Total	Vested at 30 June 2005 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

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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 significantly 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		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	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

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

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THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS

AS AT 30 JUNE 2005

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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).

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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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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 shares 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	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

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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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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:

	Salary & Fees	Primary Benefits Cash Bonus	Non-monetary	Superannuation	Equity Compensation Options (v)	Total (\$)
Specified directors						
R Marston (i)						
<i>Non-executive Chairman</i>	71,666	-	-	-	84,696	156,362
C Bonwick (ii)						
<i>Managing Director</i>	261,867	50,000	10,726	23,568	217,387	563,548
K Ross (ii)						
<i>Executive Director/Company Secretary</i>	156,107	15,000	14,980	14,050	108,693	308,830
J Christie (i)						
<i>Non-executive Director</i>	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)						
<i>General Manager – Long Nickel Mine</i>	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 than 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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		Parent Entity	
2005	2004	2005	2004
\$'000	\$'000	\$'000	\$'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	-
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2005 interim fully franked ordinary dividend of 3 cents per share

franked at the tax rate of 30%	3,303	-	3,303	-
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Total dividends paid during the financial year	8,694	-	8,694	-
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Franking account balance at the end of the financial year	3,907	-	3,907	-
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2005	2004
'000	'000
No.	No.

NOTE 8: EARNINGS PER SHARE

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.		

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

NOTE 9: CASH ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note	Economic Entity		Parent Entity		
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	
NOTE 10: RECEIVABLES					
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.

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
NOTE 11: INVENTORIES				
CURRENT				
Mine spares and stores	97	11	-	-

NOTE 12: OTHER ASSETS

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.

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
NOTE 13: TAX ASSETS				
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

Interests are held in the following unlisted associated companies:

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

NOTE 16: OTHER FINANCIAL ASSETS

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Economic Entity		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'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
<i>Reconciliation of the movement for the year:</i>				
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		Parent Entity	
2005	2004	2005	2004
\$'000	\$'000	\$'000	\$'000

NOTE 21: INTEREST BEARING LIABILITIES

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		Parent Entity	
2005	2004	2005	2004
\$'000	\$'000	\$'000	\$'000

NOTE 22: TAX LIABILITIES

CURRENT

Income tax payable	6,647	4,414	6,647	4,414
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NON-CURRENT

Provision for deferred income tax	3,356	3,686	3,356	3,686
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NOTE 23: OTHER LIABILITIES

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	-	-
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- (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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Economic Entity		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	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 \$'000	2004 \$'000	2005 \$'000	2004 \$'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. '000	No. '000	No. '000	No. '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.

	Economic Entity		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
NOTE 25: ACCUMULATED PROFITS				
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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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

NOTE 26: CAPITAL AND LEASING COMMITMENTS

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.

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

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

NOTE 28: CASH FLOW INFORMATION

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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	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

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	Granted during year	Exercised during year	Balance at end of year	Balance Vested at end of year	Vested and exercisable	Options Vested during year
	No.	No.	No.	No.	No.	No.	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.

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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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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**	1 July 2004*	30 June 2005**	1 July 2004*
	\$'000	\$'000	\$'000	\$'000
Total equity under AGAAP	50,188	30,838	23,273	19,982
Adjustments to retained earnings (net of tax)				
Recognition of 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.

	Consolidated	Parent Entity
	30 June 2005	30 June 2005
	\$'000	\$'000
Reconciliation of net profit under AGAAP to that under A-IFRS		
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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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. Pauli 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



INDEPENDENCE GROUP NL
ABN 46 082 786 304

