



**INDEPENDENCE GROUP NL**  
ABN 46 092 786 304

24 September 2007

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

NO. OF PAGES : (56)

**FINANCIAL REPORT FOR YEAR ENDING 30 JUNE 2007**

Independence Group NL is pleased to announce the following final audited results for the year ending 30 June 2007:

- Consolidated revenue \$226.5 million (2006: \$113.4 million)
- Consolidated profit before income tax \$151.1 million (2006: \$50.4 million)
- Consolidated profit after income tax \$105.3 million (2006: \$35.0 million)
- Fully diluted earnings per share after income tax 90.38 cents (2006: 30.67 cents)

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

The 2007 Annual Report will be completed and forwarded to members in the third week of October and the Annual General Meeting is to be held in Perth on 21 November 2007.

**CHRISTOPHER BONWICK**  
Managing Director

PO Box 893, South Perth  
Western Australia 6951  
Tel: +61 8 9367 2755  
Fax: +61 8 9367 3288  
E-mail: [contact@independencgroup.com.au](mailto:contact@independencgroup.com.au)  
Website: [www.independencgroup.com.au](http://www.independencgroup.com.au)

# Financial Report

Independence Group NL Annual Report July 2006 to June 2007



# Corporate Governance Statement

The ASX Corporate Governance Council requires that the Company must disclose the extent to which it has followed ASX 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 with the exception of the policy relating to Board and Management Responsibilities which was updated on 28 February 2007.

## 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.

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 are 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.

# Corporate Governance Statement

## 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 chairman of the Committee is John Christie.

The Audit Committee follows ASX recommendations as the members are all independent non-executive directors.

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 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, John Christie and Oscar Aamodt.

---

## 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.

---

## Compensation of Board Members

---

The Company's policies and procedures relating to the remuneration of board members and senior management are 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.

---

## Environmental Policy

---

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 2007.

## 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.

## 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 \$105,347 thousand (2006: \$34,986 thousand).

## Dividends Paid or Recommended

---

The Company paid a fully franked 7 cent dividend to shareholders in October 2006.

The Company paid a fully franked 3 cent interim dividend and a 3 cent special dividend to shareholders in respect of the year ended 30 June 2007.

The Company has announced that a fully franked 12 cent dividend will be paid to shareholders on 17 September 2007. Franking credits of \$35,684 thousand 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 200% to \$151,115 thousand (2006: \$50,384 thousand).

Nickel revenue for the year increased by 98% to \$222,933 thousand (2006: \$112,583 thousand).

Fully diluted earnings per share increased from 30.67 cents in 2006 to 90.38 cents in 2007. The economic entity had cash assets of \$151,986 thousand (2006: \$26,130 thousand) and net assets of \$102,881 thousand (2006: \$47,929 thousand) at the end of the financial year. Net assets excluding commodity hedge contracts amounted to \$205,175 thousand (2006: \$84,300 thousand).

A summary of the Company's activities during the year is contained in the Managing Director's Operations Report section of the Annual 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, platinum, 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

750,000 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
400,000	30/09/08	\$0.96
375,000	30/06/08	\$1.33
650,000	30/06/08	\$1.03
505,600	30/06/09	\$1.16
125,000	30/06/09	\$1.20
50,000	30/06/10	\$3.07
100,000	30/06/10	\$2.94
112,500	30/06/10	\$1.59
275,000	30/06/10	\$1.16
150,000	30/06/11	\$4.85
300,000	30/06/11	\$4.64
750,000	30/06/11	\$4.44
3,793,100		

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of any other body corporate. 212,800 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 7 of Additional Information for Listed Public Companies.

## Information on Directors

<b>Rod Marston</b>	-	<b>Chairman (Non-executive) Age 64</b>
Qualifications		BSc(Hons), PhD, MAIG, MSEG
Tenure		Board member since 2001. Chairman since 20 August 2003.
Special Responsibilities		Dr Marston is on the Remuneration and Audit Committees.
<b>Christopher Bonwick</b>	-	<b>Managing Director (Executive) Age 48</b>
Qualifications		BSc (Hons), MAusIMM
Tenure		Managing Director and Board member since 2000.
Special Responsibilities		Mr Bonwick is the executive in charge of operations and corporate development.
<b>Kelly Ross</b>	-	<b>Director (Executive) Age 45</b>
Qualifications		CPA, Grad.Dip.CSP
Tenure		Board member since 2002.
Special Responsibilities		Ms Ross is the Company Secretary and is on the Hedging Committee.
<b>John Christie</b>	-	<b>Director (Non-executive) Age 69</b>
Qualifications		CPA, ACIS
Tenure		Board member since 2002.
Special Responsibilities		Mr Christie is on the Remuneration, Audit and Hedging Committees.
<b>Oscar Aamodt</b>	-	<b>Director (Non-executive) Age 61</b>
Qualifications		FCIS
Tenure		Board member since 2005.
Special Responsibilities		Mr Aamodt is on the Remuneration, Audit and Hedging Committees.

# Directors' Report

## Other Listed Company Directorships Held During Past 3 Years

Dr Marston was an alternate director for Perilya Ltd for 2 years until May 2005 and has been a director of Kasbah Resources Limited since November 2006. Mr Aamodt 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 Practising 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 6 years.

## Meetings of Directors

During the financial year, 20 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	5	5	4	3	-	-
Christopher Bonwick	9	9	-	-	-	-	-	-
Kelly Ross	9	9	-	-	-	-	2	2
John Christie	9	9	5	5	4	4	2	2
Oscar Aamodt	9	9	5	5	4	4	2	2

## Remuneration Report

### Remuneration Policy and Procedures (audited)

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.

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 non-executive 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 2007.

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:

	2003	2004	2005	2006	2007
Revenue (\$ millions)	24.6	67.2	86.6	113.4	226.5
Net profit after income tax (\$ millions)	1.4	17.3	20.9	35.0	105.3
Share price at year end (\$/share)	0.37	1.07	1.35	2.72	6.95
Dividends paid (cents/share)	-	-	8	7	13

## Performance based remuneration (audited)

### Short Term Incentives (STI) (audited)

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 Sally Malay Mining Limited. 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 2006 year which was paid in November 2006 (C Bonwick \$75,000 and K Ross \$30,000).

### Long Term Incentives (LTI) – Executives (audited)

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, with the exception of the options issued in November 2006 which vest after 12 months. 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, with the exception of the options issued in November 2006 which have an exercise price of the average market price of the Company's ordinary shares over the 5 days prior to the date of issue.

# Directors' Report

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.

750,000 options were granted or issued to directors or key management personnel during the year (C Bonwick 500,000 and K Ross 250,000).

## Long Term Incentives (LTI) – Non-executive Directors (audited)

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 non-executive directors during the year.

## Key Management Personnel (audited)

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

The only other persons who qualified as key management personnel during the financial year, and to whom this Remuneration Report also relates, are Tim Moran (Chief Operations Officer) and Brett Hartmann (General Manager – Long Nickel Mine). Mr Moran held the position of Chief Operations Officer until 22 December 2006. The General Manager – Long Nickel Mine is employed by the Company's subsidiary Lightning Nickel Pty Ltd.

## Employment Contracts (audited)

Terms and conditions of employment contracts:

- i) Non-executive directors do not have employment contracts with the Company.
- ii) Executive directors are employed under contracts which do not have a defined term. 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. Termination benefits of 12 month's remuneration is payable to the executive should the Company terminate the employment contract due to a takeover event, but only if such payment would not breach ASX Listing Rules. 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 \$450,000 (2006: \$350,000) Christopher Bonwick and \$270,000 (2006: \$220,000) 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 compensation in the table below.

- iv) The executive Tim Moran resigned as an employee during the year after provision of one month's notice, and only accrued leave and other accrued remuneration was paid on termination. Mr Moran remains a non-executive director of subsidiary Lightning Nickel Pty Ltd but ceased to be included in key management personnel on 22 December 2006.
- v) The executive Brett Hartmann is employed under a contract which does not have a defined term. 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 total remuneration of \$250,000 (2006: \$163,500) plus motor vehicle expenses. Mr Hartmann may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board.

## Compensation Paid for the Financial Year (audited)

Key management personnel during the financial year received the following compensation:

	Short-term Benefits			Post-employment Benefits	Share-based Payments	Total \$
	Cash Salary & Fees \$	Cash Bonus \$	Non-monetary Benefits \$	Superannuation \$	Options (iv) \$	
<b>2007</b>						
R Marston (i) <i>Non-executive Chairman</i>	80,000	-	-	-	26,361	106,361
C Bonwick (ii), (iii) <i>Managing Director</i>	372,263	75,000	5,381	32,841	562,841	1,048,326
K Ross (ii), (iii) <i>Executive Director/Company Secretary</i>	215,423	30,000	22,032	19,549	281,242	568,246
J Christie (i) <i>Non-executive Director</i>	60,000	-	-	-	13,180	73,180
O Aamodt <i>Non-executive Director</i>	50,000	-	-	4,500	-	54,500
T Moran <i>Chief Operations Officer</i>	104,387	2,000	-	9,575	-	115,962
B Hartmann (iv) <i>General Manager – Long Nickel Mine</i>	200,005	24,000	9,968	18,000	7,619	259,592
<b>Total compensation</b>	<b>1,082,078</b>	<b>131,000</b>	<b>37,381</b>	<b>84,465</b>	<b>891,243</b>	<b>2,226,167</b>
<b>2006</b>						
R Marston (i) <i>Non-executive Chairman</i>	80,000	-	-	-	50,481	130,481
C Bonwick (ii) <i>Managing Director</i>	304,606	60,000	9,361	27,378	120,270	521,615
K Ross (ii) <i>Executive Director/Company Secretary</i>	182,758	20,000	19,671	16,383	60,135	298,947
J Christie (i) <i>Non-executive Director</i>	60,000	-	-	-	25,241	85,241
O Aamodt <i>Non-executive Director</i>	45,467	-	-	4,092	-	49,559
T Moran <i>Chief Operations Officer</i>	229,357	10,000	-	22,036	-	261,393
B Hartmann (iv) <i>General Manager – Long Nickel Mine</i>	112,509	10,000	9,944	10,126	10,601	153,180
<b>Total compensation</b>	<b>1,014,697</b>	<b>100,000</b>	<b>38,976</b>	<b>80,015</b>	<b>266,728</b>	<b>1,500,416</b>

# Directors' Report

- (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 28 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 28 to the financial statements.
- (iii) C Bonwick and K Ross were granted options at the 2006 Annual General Meeting. The options were issued on 27 November 2006. Further information relating to these options is contained in note 28 to the financial statements.

Name	At Risk – LTI Equity Compensation	At Risk – STI Performance Based Bonuses	Fixed Remuneration
<b>2007</b>			
R Marston	24.7%	0%	75.3%
C Bonwick	53.6%	7.2%	39.2%
K Ross	49.5%	5.3%	45.2%
J Christie	18.0%	0%	82.0%
O Aamodt	0%	0%	100.0%
T Moran	0%	1.7%	98.3%
B Hartmann	3.0%	9.2%	87.8%
<b>2006</b>			
R Marston	38.7%	0%	61.3%
C Bonwick	23.1%	11.5%	65.4%
K Ross	20.1%	6.6%	73.3%
J Christie	29.6%	0%	70.4%
O Aamodt	0%	0%	100.0%
T Moran	0%	4.0%	96.0%
B Hartmann	6.9%	6.5%	86.6%

Non-performance based compensation 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.

- (iv) Remuneration options: Granted and vested during the year

The Company uses the fair value measurement provisions of AASB 124 "Related Party Disclosures" 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 from grant to vesting date. Fair values at grant date are independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate and the term of the option. No adjustments have been 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:

- 375,000 options at \$1.03 each by director C Bonwick (2006: 750,000)
- 100,000 options at \$1.03 each by director K Ross (2006: 375,000)
- 500,000 options at \$1.33 each by director R Marston (2006: 250,000)
- 250,000 options at \$1.33 each by director J Christie (2006: 125,000)
- 37,500 options at \$1.16 each by key management person B Hartmann (2006: 37,500)

The following options were granted to directors or executives during the year (2006: nil):

- 500,000 options at \$4.44 each to director C Bonwick
- 250,000 options at \$4.44 each to director K Ross

The options were issued pursuant to resolutions 3 and 4 passed at the 2006 Annual General Meeting. The options were issued on 27 November 2006 with an exercise price of \$4.44 and vest 12 months after the issue date. 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 2011. The fair value of the options at their grant date was \$1.71 each.

The amount included in remuneration from options is based on fair value and has been calculated by an independent major accounting firm using the Binomial Option Pricing Model.

The fair value of the options issued during the year and affecting remuneration for the year ending 30 June 2007 is as follows:

Director	Volatility Factor %	Risk-Free Rate %	Dividend Yield %	Issued Options Number	Fair Value Per Option \$	Total Fair Value \$
C Bonwick	47.6	5.8	2.0	500,000	1.71	852,641
K Ross	47.6	5.8	2.0	250,000	1.71	426,321

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
26 November 2003	26 November 2006	30 June 2008	\$1.33 (i)	\$0.29
26 November 2003	26 November 2006	30 June 2008	\$1.03	\$0.44
27 November 2006	27 November 2007	30 June 2011	\$4.44	\$1.71

The fair value of options issued is 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 28 to the financial statements.

Options granted carry no dividend or voting rights. The exercise price is based on the closing price at which the Company's shares traded on the Australian Securities Exchange on the day the options were issued, except for those in note (i) which were issued at a 30% premium to the closing price. When exercisable, each option is convertible into one ordinary share.

## Interests in Shares and Options Held by Key Management Personnel at the Date of this Report

	Ordinary Fully Paid Shares	Unlisted Options
C Bonwick	3,248,506	875,000
R Marston	1,520,000	250,000
K Ross	695,000	525,000
J Christie	470,000	125,000
O Aamodt	20,000	-
T Moran	10,000	-
B Hartmann	37,500	75,000
<b>TOTALS</b>	<b>6,001,006</b>	<b>1,850,000</b>

Details of the terms and conditions for these securities are disclosed in note 28 to the financial statements and in note 7 of Additional Information for Listed Public Companies.

## Additional Information (unaudited)

### TSR – Independence Group NL versus Peer Group (unaudited)

Total Shareholder Returns was adopted as a key performance indicator for executive remuneration in 2004. In 2003 executive remuneration was based on a broad range of criteria considered appropriate by the Remuneration Committee for the Company at its stage of development at that time. There were no bonuses paid to executives in 2002. The following table shows the TSR of the Company relative to its peer group. The 2007 TSR measure will be used for evaluating executives' performance in the 2008 financial year.

	2004	Total Shareholder Returns 2005	2006
Company	206	29	1.45
Peer Group	176	16	0.66

# Directors' Report

## Details of Remuneration Cash Bonuses and Options (unaudited)

For each cash bonus and grant of options included in the tables in the Remuneration Report the percentage of the available bonus or grant that was paid or that vested in the financial year is set out below. No cash bonus or option granted was forfeited because the person did not meet the performance criteria. No part of the bonuses is payable in future years. The options vest 25% each year for 4 years, except for the options issued to C Bonwick and K Ross in 2007 which vest after 12 months. The options only vest if the key person is still employed by the Company on vesting date. The minimum value of the options is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Name	Cash bonus Paid %	Year granted	Options Vested %	Financial years in which options may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest
R Marston	0	2003	75	30/06/2008	-	7,176
C Bonwick	7.2	2003	75	30/06/2008	-	16,063
		2006	-	30/06/2008	-	350,401
K Ross	5.3	2003	75	30/06/2008	-	8,032
		2006	-	30/06/2008	-	175,200
J Christie	0	2003	75	30/06/2008	-	3,588
O Aamodt	0	-	-	-	-	-
T Moran	1.7	-	-	-	-	-
B Hartmann	9.2	2005	50	30/06/2008	-	4,130
				30/06/2009	-	1,418

Further details relating to options are set out below:

Name	A Remuneration consisting of options	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$	E Total of columns B-D \$
R Marston	24.8%	-	1,102,500	-	1,102,500
C Bonwick	53.7%	852,641	1,297,500	-	2,150,141
K Ross	49.5%	426,321	363,000	-	789,321
J Christie	18.0%	-	642,500	-	642,500
O Aamodt	0%	-	-	-	-
T Moran	0%	-	-	-	-
B Hartmann	2.9%	-	136,125	-	136,125

A = The percentage of the value of remuneration consisting of options based on the value of options expensed during the current year

B = The value at grant date calculated in accordance with AASB 2 of options granted during the year as part of remuneration

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year

END OF REMUNERATION REPORT

---

## Employees

---

The economic entity had 149 employees at the end of the financial year (2006: 153).

## 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 end of 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.

## Audit Services

---

The auditor did not provide any non-audit services to the Company or the consolidated entity. Details of audit services provided are in note 5 to the financial statements.

## 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 \$2,614 thousand as a result of the exercise of 2,240,950 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.

# Directors' Report

---

## After Balance Date Events

---

Since the end of the financial year the Company placed orders to purchase new underground machinery for \$965 thousand.

On 25 July 2007 the Company was issued with 730,000 fully paid shares in listed entity Atlas Iron Limited. The shares were issued as consideration for the Company's interest in four tenements from the Goldsworthy Project.

On 22 August 2007 the Company announced that a final dividend for 2006/7 will be paid on 17 September 2007. The dividend is 12 cents per share and will be fully franked.

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

## Rounding of Amounts

---

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

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



R J Marston  
Chairman

Dated this 7th day of September 2007

# Declaration of Independence by BDO Kendalls to the Directors of Independence Group NL

---

As lead auditor of Independence Group NL for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to this audit.

This declaration is in respect of Independence Group NL and the entities it controlled during the period.

BDO Kendalls Audit & Assurance (WA)



B G McVeigh  
Partner

7 September 2007

# Income Statement

## For the year ended 30 June 2007

	Note	Economic Entity		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenues from ordinary activities	2	<b>226,542</b>	113,404	<b>30,236</b>	20,179
Mining and development costs		<b>(20,714)</b>	(16,361)	-	-
Employee costs		<b>(16,316)</b>	(14,573)	<b>(1,456)</b>	(1,360)
Share-based payment expense		<b>(1,336)</b>	(513)	<b>(1,336)</b>	(513)
Revaluation of listed investments		<b>6,585</b>	1,236	<b>6,585</b>	1,236
Depreciation and amortisation expense		<b>(9,956)</b>	(9,342)	<b>(318)</b>	(247)
Rehabilitation provision		-	(29)	-	-
Borrowing cost expense		<b>(226)</b>	(444)	<b>(11)</b>	(9)
Royalty expense		<b>(9,040)</b>	(2,873)	-	-
Ore tolling costs		<b>(8,928)</b>	(7,992)	-	-
Exploration costs expensed		<b>(57)</b>	(866)	<b>(57)</b>	(866)
Capitalised exploration costs written off		<b>(11,360)</b>	(6,909)	<b>(11,125)</b>	(2,655)
Other expenses from ordinary activities		<b>(4,079)</b>	(4,354)	<b>(1,614)</b>	(1,785)
Profit from ordinary activities before income tax expense	3	<b>151,115</b>	50,384	<b>20,904</b>	13,980
Income tax benefit/(expense) relating to ordinary activities	4	<b>(45,768)</b>	(15,398)	<b>2,296</b>	1,476
Profit from ordinary activities after related income tax expense		<b>105,347</b>	34,986	<b>23,200</b>	15,456
Basic earnings per share (cents per share)	7	<b>92.80</b>	31.86		
Diluted earnings per share (cents per share)	7	<b>90.38</b>	30.67		

The accompanying notes form part of these financial statements

# Balance Sheet

As at 30 June 2007

	Note	Economic Entity		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	8	<b>151,986</b>	26,130	<b>17,368</b>	7,211
Trade and other receivables	9	<b>28,130</b>	34,880	<b>290</b>	165
Inventories	10	<b>302</b>	296	-	-
Financial assets	11	<b>25,456</b>	10,267	<b>15,104</b>	7,663
<b>TOTAL CURRENT ASSETS</b>		<b>205,874</b>	71,573	<b>32,762</b>	15,039
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	9	<b>925</b>	375	<b>40,238</b>	18,476
Deferred tax assets	4	<b>38,243</b>	13,079	<b>162</b>	85
Investments accounted for using the equity method	12	<b>564</b>	564	<b>564</b>	564
Property, plant and equipment	14	<b>8,525</b>	6,773	<b>738</b>	649
Exploration, evaluation and development expenditure	15	<b>19,584</b>	19,857	<b>2,121</b>	4,797
Mine acquisition and pre-production costs	16	<b>1,896</b>	2,359	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>69,737</b>	43,007	<b>43,823</b>	24,571
<b>TOTAL ASSETS</b>		<b>275,611</b>	114,580	<b>76,585</b>	39,610
<b>CURRENT LIABILITIES</b>					
Trade and other payables	17	<b>15,598</b>	10,621	<b>701</b>	714
Borrowings	18	<b>1,390</b>	1,398	-	-
Current tax payable		<b>31,067</b>	8,557	<b>31,067</b>	8,557
Financial liabilities	19	<b>112,646</b>	36,371	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>160,701</b>	56,947	<b>31,768</b>	9,271
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	18	<b>521</b>	1,809	-	-
Deferred tax liabilities	4	<b>9,786</b>	6,470	<b>2,999</b>	1,823
Provisions	20	<b>1,722</b>	1,425	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>12,029</b>	9,704	<b>2,999</b>	1,823
<b>TOTAL LIABILITIES</b>		<b>172,730</b>	66,651	<b>34,767</b>	11,094
<b>NET ASSETS</b>		<b>102,881</b>	47,929	<b>41,818</b>	28,516
<b>EQUITY</b>					
Contributed equity	21	<b>26,621</b>	23,076	<b>26,621</b>	23,076
Reserves	22	<b>(57,452)</b>	(18,291)	<b>2,835</b>	1,499
Retained earnings	23	<b>133,712</b>	43,144	<b>12,362</b>	3,941
<b>TOTAL EQUITY</b>		<b>102,881</b>	47,929	<b>41,818</b>	28,516

The accompanying notes form part of these financial statements

# Statement of Changes in Equity

As at 30 June 2007

	Economic Entity				Parent Entity			
	Issued Capital \$'000	Retained Earnings \$'000	Other Reserves \$'000	Total Equity \$'000	Issued Capital \$'000	Retained Earnings \$'000	Other Reserves \$'000	Total Equity \$'000
<b>At 1 July 2005</b>	20,367	28,286	986	49,639	20,367	1,920	986	23,273
Adjustment on adoption of AASB 132 and AASB 139, net of tax	-	(12,356)	(5,816)	(18,172)	-	(5,663)	-	(5,663)
<b>Re-stated total equity at 1 July 2005</b>	<b>20,367</b>	<b>15,930</b>	<b>(4,830)</b>	<b>31,467</b>	<b>20,367</b>	<b>(3,743)</b>	<b>986</b>	<b>17,610</b>
Loss on cash flow hedges net of tax	-	-	(13,974)	(13,974)	-	-	-	-
Total income and expense for the period recognised directly in equity	-	-	(13,974)	(13,974)	-	-	-	-
Profit for the year	-	34,986	-	34,986	-	15,456	-	15,456
<b>Total income/expense recognised for the year</b>	<b>-</b>	<b>34,986</b>	<b>(13,974)</b>	<b>21,012</b>	<b>-</b>	<b>15,456</b>	<b>-</b>	<b>15,456</b>
Cost of share-based payment	-	-	513	513	-	-	513	513
Exercise of options	2,395	-	-	2,395	2,395	-	-	2,395
Contributing shares payment	314	-	-	314	314	-	-	314
Equity dividends	-	(7,772)	-	(7,772)	-	(7,772)	-	(7,772)
<b>At 30 June 2006</b>	<b>23,076</b>	<b>43,144</b>	<b>(18,291)</b>	<b>47,929</b>	<b>23,076</b>	<b>3,941</b>	<b>1,499</b>	<b>28,516</b>
<b>At 1 July 2006</b>	<b>23,076</b>	<b>43,144</b>	<b>(18,291)</b>	<b>47,929</b>	<b>23,076</b>	<b>3,941</b>	<b>1,499</b>	<b>28,516</b>
Loss on cash flow hedges net of tax	-	-	(40,497)	(40,497)	-	-	-	-
Total income and expense for the period recognised directly in equity	-	-	(40,497)	(40,497)	-	-	-	-
Profit for the year	-	105,347	-	105,347	-	23,200	-	23,200
<b>Total income/expense recognised for the year</b>	<b>-</b>	<b>105,347</b>	<b>(40,497)</b>	<b>64,850</b>	<b>-</b>	<b>23,200</b>	<b>-</b>	<b>23,200</b>
Cost of share-based payment	-	-	1,336	1,336	-	-	1,336	1,336
Exercise of options	2,575	-	-	2,575	2,575	-	-	2,575
Issue of fully paid shares	970	-	-	970	970	-	-	970
Equity dividends	-	(14,779)	-	(14,779)	-	(14,779)	-	(14,779)
<b>At 30 June 2007</b>	<b>26,621</b>	<b>133,712</b>	<b>(57,452)</b>	<b>102,881</b>	<b>26,621</b>	<b>12,362</b>	<b>2,835</b>	<b>41,818</b>

The accompanying notes form part of these financial statements

# Cash Flow Statement

As at 30 June 2007

	Note	Economic Entity		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		<b>240,242</b>	89,868	-	-
Dividends received from subsidiary		-	-	<b>30,000</b>	20,000
Payments to suppliers and employees		<b>(54,035)</b>	(45,607)	<b>(3,212)</b>	(4,245)
Interest received		<b>3,082</b>	763	<b>145</b>	133
Borrowing costs		<b>(226)</b>	(435)	<b>(11)</b>	-
Income tax payment		<b>(27,468)</b>	(14,235)	<b>(27,468)</b>	(14,235)
Other income		<b>527</b>	-	<b>36</b>	42
Net cash provided by (used in) operating activities	26a	<b>162,122</b>	30,354	<b>(510)</b>	1,695
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		<b>(6,782)</b>	(1,678)	<b>(407)</b>	(369)
Payments relating to acquisition and investments		<b>(855)</b>	(1,500)	<b>(855)</b>	-
Payments relating to mine development		<b>(4,231)</b>	(3,841)	-	-
Loans to associated company		<b>(550)</b>	(200)	<b>(550)</b>	(200)
Payments for exploration and evaluation expenditure		<b>(10,348)</b>	(10,414)	<b>(7,479)</b>	(4,820)
Net cash provided by (used in) investing activities		<b>(22,766)</b>	(17,633)	<b>(9,291)</b>	(5,389)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		<b>2,575</b>	2,709	<b>2,575</b>	2,709
Payment of dividends		<b>(14,779)</b>	(7,772)	<b>(14,779)</b>	(7,772)
Proceeds from borrowings		-	-	<b>32,162</b>	14,423
Repayment of borrowings		<b>(1,296)</b>	(5,754)	-	-
Net cash provided by (used in) financing activities		<b>(13,500)</b>	(10,817)	<b>19,958</b>	9,360
<b>Net increase in cash held</b>		<b>125,856</b>	1,904	<b>10,157</b>	5,666
Cash at beginning of year		<b>26,130</b>	24,226	<b>7,211</b>	1,545
<b>Cash at end of year</b>	8	<b>151,986</b>	26,130	<b>17,368</b>	7,211

The accompanying notes form part of these financial statements

# Notes to the Financial Statements

## For the year ended 30 June 2007

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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 13 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

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

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

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition investments which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement. The Group has investments in listed entities which are considered to be tradeable by the board and which the Company expects to sell for cash in the foreseeable future.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are de-recognised or impaired, as well as through the amortisation process.

Fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (eg. Unlisted securities) they are held at initial cost.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date (ie. the date that the Company commits to purchase the asset).

#### 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 balance sheet and income statement. Details of the economic entity's interests, if any, are shown in note 12.

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

#### e. Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such impairment indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. Impairment losses are recognised in the income statement as an expense.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is de-recognised.

#### 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(h) for the amortisation policy applying to exploration and development costs and note 1(u) for the policy applying to the amortisation of pre-production and acquisition costs.

# Notes to the Financial Statements

## For the year ended 30 June 2007

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

#### f. Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

#### g. 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.

#### h. 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, and at each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

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 is 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.

#### i. Restoration and Rehabilitation Expenditure

The Company provides for the future cost of rehabilitating and closing its mining operation, regardless of when that operation is expected to cease. A provision for restoration 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%.

## **j. 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.

## **k. Cash**

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

## **l. Comparative Figures**

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

## **m. 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).

## **n. 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.

## **o. 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.

The group uses trade date accounting for its receivables.

# Notes to the Financial Statements

## For the year ended 30 June 2007

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

#### p. Earnings per Share

The economic entity has applied AASB 133 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.

#### q. 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 income statement.

#### r. Derivatives

The Company uses derivative financial instruments such as foreign currency contracts and commodity contracts to hedge its risks associated with nickel price and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of commodity contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges (forward foreign currency contracts and nickel commodity contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss, for instance when the forecast sale that is hedged takes place. The gain or loss relating to the effective portion of forward foreign exchange contracts and forward commodity contracts is recognised in the income statement within sales.

## s. Share-based Payments

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently two plans in place to provide these benefits:

- (i) the Employee Share Option Plan (ESOP), which provides benefits to executive directors and other employees, and
- (ii) the Non-executive Directors' Share Option Plan (NDSOP), which provides benefits to non-executive directors.

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Independence Group NL ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

## t. Inventories

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

## u. 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 balance sheet (see note 16).

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 balance sheet (see note 16).

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.

## v. Royalties

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

## w. 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.

# Notes to the Financial Statements

## For the year ended 30 June 2007

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

#### x. International Financial Reporting Standards

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'), except that the group has chosen to apply exemptions under AASB 1 in relation to AASB 132 and AASB 139 from 1 July 2005. The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Instruments: Disclosure and Presentation.

#### y. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity and consolidated financial statements using the cost method. The Group's share of its associates' post-acquisition profits or losses is not recognised in the income statement due to the application of materiality.

#### z. Segment Reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

### NOTE 2: REVENUE

Ordinary activities				
Sale of goods	<b>222,933</b>	112,583	-	-
Interest received – other parties	<b>3,082</b>	763	<b>200</b>	133
Dividend received from wholly-owned entity	-	-	<b>30,000</b>	20,000
Proceeds from sale of plant	<b>480</b>	-	-	-
Other revenue	<b>47</b>	58	<b>36</b>	46
Total Revenue	<b>226,542</b>	113,404	<b>30,236</b>	20,179

### 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	<b>56,007</b>	43,008	-	-
Employee entitlements provision	<b>499</b>	584	<b>51</b>	35
Share-based payment expense	<b>1,336</b>	513	<b>1,336</b>	513
Borrowing costs - other entities	<b>226</b>	444	<b>11</b>	9
Amortisation of non-current assets	<b>620</b>	1,122	-	-
Depreciation of non-current assets	<b>9,336</b>	8,220	<b>318</b>	247
Exploration costs expensed	<b>57</b>	866	<b>57</b>	866
Write-off of capitalised exploration expenditure	<b>11,360</b>	6,909	<b>11,125</b>	2,655
Provision for mine restoration	-	29	-	-

## NOTE 4: INCOME TAX

a. The major components of income tax expense are:

### Income Statement

#### Current income tax

	Economic Entity		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current Income Tax Charge	<b>50,011</b>	15,883	<b>(3,356)</b>	(2,436)
Adjustment in respect of current income tax of previous year	-	-	-	-

#### Deferred income tax

Relating to origination and reversal of temporary differences	<b>(4,243)</b>	(485)	<b>1,060</b>	960
---	----------------	-------	--------------	-----

Income tax expense reported in the income statement	<b>45,768</b>	15,398	<b>(2,296)</b>	(1,476)
---	---------------	--------	----------------	---------

### Statement of Changes in Equity

Deferred income tax related to items charged or credited directly to equity

Recognition of commodity hedge contracts	<b>(17,638)</b>	(8,541)	-	-
Rehabilitation	-	-	-	-

Income tax expense reported in equity	<b>(17,638)</b>	(8,541)	-	-
---------------------------------------	-----------------	---------	---	---

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit before tax from continuing operations	<b>151,115</b>	50,384	<b>20,904</b>	13,980
Loss before tax from discontinued operations	-	-	-	-

Accounting profit before income tax	<b>151,115</b>	50,384	<b>20,904</b>	13,980
-------------------------------------	----------------	--------	---------------	--------

At the Group's statutory income tax rate of 30% (2006: 30%)	<b>45,334</b>	15,115	<b>6,271</b>	4,194
---	---------------	--------	--------------	-------

Adjustment in respect of current income tax of previous years	-	-	-	-
---	---	---	---	---

Share-based payments	<b>401</b>	154	<b>401</b>	154
----------------------	------------	-----	------------	-----

Research and development concession	-	(65)	-	-
-------------------------------------	---	------	---	---

Non-deductible legal expenses	<b>49</b>	78	<b>49</b>	78
-------------------------------	-----------	----	-----------	----

Expenditure not allowable for income tax purposes	<b>71</b>	13	<b>66</b>	10
---	-----------	----	-----------	----

Intercompany dividend	-	-	<b>(9,000)</b>	(6,000)
-----------------------	---	---	----------------	---------

Under/over provision	-	-	-	-
----------------------	---	---	---	---

Other	<b>(87)</b>	103	<b>(83)</b>	88
-------	-------------	-----	-------------	----

	<b>45,768</b>	15,398	<b>(2,296)</b>	(1,476)
--	---------------	--------	----------------	---------

Income tax expense reported in the consolidated income statement	<b>45,768</b>	15,398	<b>(2,296)</b>	(1,476)
--	---------------	--------	----------------	---------

Income tax attributable to discontinued operations	-	-	-	-
--	---	---	---	---

	<b>45,768</b>	15,398	<b>(2,296)</b>	(1,476)
--	---------------	--------	----------------	---------

The applicable weighted average effective tax rates are as follows:

	<b>30%</b>	31%	-	-
--	------------	-----	---	---

# Notes to the Financial Statements

## For the year ended 30 June 2007

	Balance Sheet		Income Statement	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>NOTE 4: INCOME TAX (cont.)</b>				
<b>Deferred Income Tax</b>				
Deferred income tax at 30 June relates to the following:				
<b>CONSOLIDATED</b>				
<i>Deferred tax liabilities</i>				
Consumable inventories	(90)	(89)	2	89
Accrued income	(17)	(37)	1	15
Revaluation of hedged trade debtors	-	(335)	-	335
Revaluations on financial assets through profit or loss	(2,347)	(371)	1,976	371
Capitalised exploration, pre-production and acquisition costs	(3,997)	(4,842)	(903)	571
Deferred gains and losses on foreign exchange contracts	(3,106)	(781)	-	-
Capitalised development expenditure	(208)	(15)	193	36
Other	(21)	-	-	-
Gross deferred income tax liabilities	(9,786)	(6,470)	1,269	1,417
<b>CONSOLIDATED</b>				
<i>Deferred tax assets</i>				
Plant and equipment	1,304	1,342	41	(361)
Trade debtors	2,059	-	(2,395)	-
Accrued expenses	111	82	(27)	115
Deferred loss on hedged commodity contracts	33,794	10,911	(2,920)	(1,589)
Provisions for employee entitlements	541	391	(150)	(175)
Provision for rehabilitation	352	353	-	5
Other	82	-	(61)	103
Gross deferred income tax assets	38,243	13,079	(5,512)	(1,902)
Deferred tax (income)/expense			(4,243)	(485)
<b>PARENT ENTITY</b>				
<i>Deferred tax liabilities</i>				
Accrued income	(17)	(13)	3	-
Revaluations on financial assets through profit or loss	(2,346)	(371)	1,976	371
Capitalised exploration expenditure	(636)	(1,439)	(803)	559
Gross deferred income tax liabilities	(2,999)	(1,823)	1,176	930
<b>PARENT ENTITY</b>				
<i>Deferred tax assets</i>				
Plant and equipment	47	7	(37)	(28)
Accrued expenses	39	43	3	(12)
Provisions for employee entitlements	51	35	(15)	(18)
Other	25	-	(67)	88
Gross deferred income tax assets	162	85		
Deferred tax (income)/expense			1,060	960

### 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.

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

## NOTE 5: AUDITORS' REMUNERATION

Remuneration of the auditor of the economic entity for:

a. auditing or reviewing the financial report	<b>64</b>	63	<b>64</b>	63
b. other services	-	-	-	-

## NOTE 6: DIVIDENDS PAID

Interim ordinary dividend franked at the tax rate of 30%	<b>6,862</b>	2,241	<b>6,862</b>	2,241
Final ordinary dividend franked at the tax rate of 30%	<b>7,917</b>	5,531	<b>7,917</b>	5,531
Total dividends paid during the financial year	<b>14,779</b>	7,772	<b>14,779</b>	7,772

Franking account balance at the end of the financial year	<b>35,684</b>	14,576	<b>35,684</b>	14,576
---	---------------	--------	---------------	--------

2007	2006
'000	'000
No.	No.

## NOTE 7: EARNINGS PER SHARE

a. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	<b>113,514</b>	109,810
Weighted average number of options outstanding	<b>3,040</b>	2,947
Weighted average number of issued contributing shares	-	1,292
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	<b>116,554</b>	114,050
	\$'000	\$'000

b. Earnings used in the calculation of basic EPS	<b>105,347</b>	34,986
--	----------------	--------

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

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

## NOTE 8: CASH AND CASH EQUIVALENTS

Cash on hand	<b>1</b>	1	-	-
Cash at bank	<b>355</b>	(15)	<b>72</b>	(46)
Deposits at call (i)	<b>86,630</b>	26,144	<b>2,296</b>	7,257
Fixed term deposits (ii)	<b>65,000</b>	-	<b>15,000</b>	-
	<b>151,986</b>	26,130	<b>17,368</b>	7,211

(i) The deposits were bearing floating interest rates between 4.59% and 6.20% (2006 – 4.56% and 5.70%) and are available at call.

(ii) The deposits were bearing fixed interest rates between 6.34% and 6.39% and are on fixed terms of between 30 and 90 days.

# Notes to the Financial Statements

## For the year ended 30 June 2007

	Note	Economic Entity		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>NOTE 9: TRADE AND OTHER RECEIVABLES</b>					
CURRENT					
Trade debtors (i)	1(o)	<b>27,152</b>	34,040	-	-
Other debtors		<b>140</b>	141	<b>91</b>	58
Prepayments		<b>260</b>	253	-	-
GST receivable		<b>578</b>	446	<b>199</b>	107
		<b>28,130</b>	34,880	<b>290</b>	165
NON-CURRENT					
Deposits		<b>25</b>	25	<b>25</b>	25
Amounts owing from associated entities		<b>900</b>	350	<b>900</b>	350
Amounts owing from wholly-owned entities		-	-	<b>39,313</b>	18,101
		<b>925</b>	375	<b>40,238</b>	18,476

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

	Note	Economic Entity		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>NOTE 10: INVENTORIES</b>					
CURRENT					
Mine spares and stores		<b>302</b>	296	-	-

## NOTE 11: FINANCIAL ASSETS

	Note	Economic Entity		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
CURRENT					
Foreign exchange gain	29	<b>10,352</b>	2,604	-	-
Shares in listed entities		<b>15,104</b>	7,663	<b>15,104</b>	7,663
		<b>25,456</b>	10,267	<b>15,104</b>	7,663

Economic Entity		Parent Entity	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000

## NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a.	Movements during the year in equity accounted investment in associated companies:				
	Balance at beginning of the financial year	<b>564</b>	564	<b>564</b>	564
	New investments during the year	-	-	-	-
	Balance at end of the financial year	<b>564</b>	564	<b>564</b>	564
b.	Retained earnings attributable to associate:				
	Share of loss from ordinary activities after income tax expense	<b>(429)</b>	(198)	<b>(429)</b>	(198)
	Share of retained losses at beginning of the financial year	<b>(379)</b>	(181)	<b>(379)</b>	(181)
	Share of retained losses at end of the financial year	<b>(808)</b>	(379)	<b>(808)</b>	(379)
c.	Summarised presentation of aggregate assets, liabilities and performance of associates:				
	Current Assets	<b>241</b>	68	<b>241</b>	68
	Non-current Assets	<b>18</b>	3	<b>18</b>	3
	Total Assets	<b>259</b>	71	<b>259</b>	71
	Current Liabilities	<b>42</b>	71	<b>42</b>	71
	Non-current Liabilities	<b>1,800</b>	726	<b>1,800</b>	726
	Total Liabilities	<b>1,842</b>	797	<b>1,842</b>	797
	Net Assets	<b>(1,583)</b>	(726)	<b>(1,583)</b>	(726)
	Net loss from ordinary activities after income tax of associates	<b>(858)</b>	(396)	<b>(858)</b>	(396)
d.	Due to the immaterial balance of the associated company's retained losses, the economic entity has not reflected its share of the associate's losses in the investment balance.				
e.	The associated company is an unlisted company incorporated in Australia, Southstar Diamonds Limited. Independence Group NL has a 50% (2006: 50%) ownership interest.				

## NOTE 13: CONTROLLED ENTITIES

	Country of Incorporation	Class of Share	Percentage Owned		Contribution to Profit	
			2007 %	2006 %	2007 \$'000	2006 \$'000
Controlled Entity: Lightning Nickel Pty Ltd	Australia	Ord	<b>100</b>	100	<b>112,075</b>	39,529

# Notes to the Financial Statements

## For the year ended 30 June 2007

	Economic Entity		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>NOTE 14: PROPERTY, PLANT AND EQUIPMENT</b>				
Mine plant and equipment – leased (i)	<b>3,676</b>	4,922	-	-
Accumulated amortisation	<b>(2,110)</b>	(2,131)	-	-
	<b>1,566</b>	2,791	-	-
Mine plant and equipment - other	<b>22,501</b>	16,520	-	-
Accumulated depreciation	<b>(16,280)</b>	(13,187)	-	-
	<b>6,221</b>	3,333	-	-
Other plant and equipment	<b>1,568</b>	1,157	<b>1,568</b>	1,161
Accumulated depreciation	<b>(830)</b>	(508)	<b>(830)</b>	(512)
	<b>738</b>	649	<b>738</b>	649
Total written down value	<b>8,525</b>	6,773	<b>738</b>	649
<i>Reconciliation of the movement for the year:</i>				
Carrying amount at the beginning of year	<b>6,773</b>	6,451	<b>649</b>	526
Additions	<b>6,625</b>	5,356	<b>407</b>	370
Disposals	-	-	-	-
Depreciation/amortisation expense	<b>(4,873)</b>	(5,034)	<b>(318)</b>	(247)
Carrying amount at the end of year	<b>8,525</b>	6,773	<b>738</b>	649

(i) Refer to note 18 for information on non-current assets pledged as security.

## NOTE 15: EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Exploration and evaluation expenditure:

Opening balance	<b>15,753</b>	14,199	<b>4,797</b>	2,933
Current year's expenditure	<b>11,318</b>	11,359	<b>8,449</b>	4,519
Written off during the year	<b>(11,360)</b>	(6,909)	<b>(11,125)</b>	(2,655)
Amortisation expense	<b>(3,372)</b>	(2,896)	-	-
	<b>12,339</b>	15,753	<b>2,121</b>	4,797
Development expenditure:				
Opening balance	<b>4,104</b>	2,299	-	-
Current year's expenditure	<b>4,231</b>	2,581	-	-
Amortisation expense	<b>(1,090)</b>	(776)	-	-
	<b>7,245</b>	4,104	-	-
Carrying amount at end of year	<b>19,584</b>	19,857	<b>2,121</b>	4,797

Note 1(h) describes the policy relating to the carrying value of interests in exploration, evaluation and development expenditure.

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

## NOTE 16: MINE ACQUISITION AND PRE-PRODUCTION COSTS

Mine acquisition costs:

Opening balance	<b>2,084</b>	829	-	-
Current year's expenditure	<b>158</b>	1,570	-	-
Amortisation expense	<b>(346)</b>	(315)	-	-
	<b>1,896</b>	2,084	-	-

Pre-production costs:

Opening balance	<b>275</b>	596	-	-
Current year's expenditure	-	-	-	-
Amortisation expense	<b>(275)</b>	(321)	-	-
	-	275	-	-

Carrying amount at end of year	<b>1,896</b>	2,359	-	-
--------------------------------	--------------	-------	---	---

Note 1(u) describes the policy relating to the carrying value of interests in mine acquisition and pre-production costs.

## NOTE 17: TRADE AND OTHER PAYABLES

Trade creditors	<b>5,731</b>	4,251	<b>247</b>	277
GST Payable	<b>3,879</b>	1,654	<b>6</b>	3
Employee entitlements	<b>1,254</b>	1,052	<b>168</b>	117
Sundry creditors and accrued expenses	<b>4,734</b>	3,664	<b>280</b>	317
	<b>15,598</b>	10,621	<b>701</b>	714

## NOTE 18: BORROWINGS

CURRENT

Lease liabilities (i)	<b>1,390</b>	1,398	-	-
	<b>1,390</b>	1,398	-	-

NON-CURRENT

Lease liabilities (i)	<b>521</b>	1,809	-	-
	<b>521</b>	1,809	-	-

Financing Arrangements

Entities have access to the following financing arrangements at balance date:

Guarantee facility (ii)	<b>1,500</b>	1,500	-	-
Less: drawn down portion	<b>(311)</b>	(1,001)	-	-
	<b>1,189</b>	499	-	-

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

(ii) The facility is denominated in Australian dollars and interest is charged at the BBSY rate plus an applicable margin. The facility is repayable by 30 June 2009 and is secured by a fixed and floating charge over the assets of the economic entity.

# Notes to the Financial Statements

## For the year ended 30 June 2007

	Note	Economic Entity		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000

### NOTE 19: FINANCIAL LIABILITIES

#### CURRENT

Commodity hedging loss	29	<b>112,646</b>	36,371	-	-
		<b>112,646</b>	36,371	-	-

### NOTE 20: PROVISIONS

#### NON-CURRENT

Employee entitlements (i)		<b>548</b>	251	-	-
Provision for restoration (ii)		<b>1,174</b>	1,174	-	-
		<b>1,722</b>	1,425	-	-

#### *Employee entitlements movement for the year:*

<i>Balance at start of the year</i>		<b>251</b>	-	-	-
<i>Provision recognised for the year</i>		<b>297</b>	251	-	-
<i>Balance at the end of the year</i>		<b>548</b>	251	-	-

- (i) This is a provision for long service leave entitlements. The Company estimates how many employees are likely to complete 10 years of service at the mine site based upon an estimated probability calculation. This forms the basis for the provision.
- (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. The present value of the provision is based upon the current estimated life of the mine's ore reserves.

Economic Entity		Parent Entity	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000

## NOTE 21: CONTRIBUTED EQUITY

114,712,057 (2006: 112,271,107) fully paid ordinary shares (a)	<b>26,583</b>	22,999	<b>26,583</b>	22,999
375,000 (2006: 650,000) partly paid unlisted options (c)	<b>38</b>	77	<b>38</b>	77
	<b>26,621</b>	23,076	<b>26,621</b>	23,076

Economic Entity		Parent Entity	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000

### a. Ordinary shares (i)

At the beginning of year	<b>22,999</b>	20,287	<b>22,999</b>	20,287
Shares issued during the year				
Issued 1 July 2005 to 30 June 2006	-	2,712	-	2,712
475,000 unlisted options exercised at \$1.03 (ii)	<b>489</b>	-	<b>489</b>	-
750,000 unlisted options exercised at \$1.33 (iii)	<b>997</b>	-	<b>997</b>	-
37,500 unlisted options exercised at \$1.59 (iv)	<b>60</b>	-	<b>60</b>	-
317,000 unlisted options exercised at \$1.16 (iv)	<b>368</b>	-	<b>368</b>	-
348,950 unlisted options exercised at \$0.96 (iv)	<b>335</b>	-	<b>335</b>	-
62,500 unlisted options exercised at \$1.20 (iv)	<b>75</b>	-	<b>75</b>	-
250,000 unlisted options exercised at \$1.16 (v)	<b>290</b>	-	<b>290</b>	-
200,000 fully paid shares issued (vii)	<b>970</b>	-	<b>970</b>	-
Transaction costs relating to share issues	-	-	-	-
At reporting date	<b>26,583</b>	22,999	<b>26,583</b>	22,999

No.	No.	No.	No.
'000	'000	'000	'000

At the beginning of the year	<b>112,271</b>	106,983	<b>112,271</b>	106,983
Shares issued during the year	<b>2,441</b>	5,288	<b>2,441</b>	5,288
At reporting date	<b>114,712</b>	112,271	<b>114,712</b>	112,271

2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000

### b. Ordinary Contributing Shares – Partly Paid

At beginning of the year	-	3	-	3
Converted to ordinary shares during the year	-	(3)	-	(3)
At reporting date	-	-	-	-

No.	No.	No.	No.
'000	'000	'000	'000

At beginning of the year	-	3,110	-	3,110
Converted to ordinary shares during the year	-	(3,110)	-	(3,110)
At reporting date	-	-	-	-

# Notes to the Financial Statements

## For the year ended 30 June 2007

	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>NOTE 21: CONTRIBUTED EQUITY (cont.)</b>				
<b>c. Options for Ordinary Shares - Unlisted (iii)</b>				
At beginning of the year	<b>77</b>	77	<b>77</b>	77
Issued during the year	<b>38</b>	38	<b>38</b>	38
Converted to ordinary shares during the year	<b>(77)</b>	(38)	<b>(77)</b>	(38)
At reporting date	<b>38</b>	77	<b>38</b>	77

	No. '000	No. '000	No. '000	No. '000
At beginning of the year	<b>750</b>	750	<b>750</b>	750
Issued during the year	<b>375</b>	375	<b>375</b>	375
Converted to ordinary shares during the year	<b>(750)</b>	(375)	<b>(750)</b>	(375)
At reporting date	<b>375</b>	750	<b>375</b>	750

- (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) These options were issued to executive directors on 26 November 2003.
- (iii) 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 is included in the exercise price should the options be exercised on vesting.
- (iv) These options were issued under the Employee Option Plan.
- (v) These options were issued to employees in March 2004 and were not issued under the Employee Option Plan.
- (vi) At the end of the year there were 4,005,900 (2006: 5,046,850) unissued shares in respect of which options were outstanding.
- (vii) These shares were issued to Goldsearch Limited in lieu of meeting the minimum earn-in expenditure requirements under the Musgrave Joint Venture Agreement.

	Note	Economic Entity		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000

## NOTE 22: RESERVES

Share-based payment reserve (i)		<b>2,835</b>	1,499	<b>2,835</b>	1,499
Hedging reserve (ii)	29	<b>(60,287)</b>	(19,790)	-	-
		<b>(57,452)</b>	(18,291)	<b>2,835</b>	1,499

### Share-based payment reserve movement for the year:

Balance at the start of the year		<b>1,499</b>	986	<b>1,499</b>	986
Current year		<b>1,336</b>	513	<b>1,336</b>	513
Balance at the end of the year		<b>2,835</b>	1,499	<b>2,835</b>	1,499

### Hedging reserve movement for the year:

Balance at the start of the year		<b>(19,790)</b>	-	-	-
Adjustment on adoption of AASB 132 and AASB 139		-	(5,816)	-	-
Current year		<b>(40,497)</b>	(13,974)	-	-
Balance at the end of the year		<b>(60,287)</b>	(19,790)	-	-

- (i) The share-based payment reserve is used to record the value of options provided to employees and directors as part of their remuneration.
- (ii) The hedging reserve is used to record gains or losses on a hedged instrument in a cash flow hedge that are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

## NOTE 23: RETAINED EARNINGS

Retained profits at the beginning of the financial year	<b>43,144</b>	28,286	<b>3,941</b>	1,920
Effect of AASB 132 on retained profits 1 July 2005	-	(12,356)	-	(5,663)
Dividends paid – fully franked	<b>(14,779)</b>	(7,772)	<b>(14,779)</b>	(7,772)
Net profit attributable to the members of the parent entity	<b>105,347</b>	34,986	<b>23,200</b>	15,456
Retained profits at the end of the financial year	<b>133,712</b>	43,144	<b>12,362</b>	3,941

# Notes to the Financial Statements

## For the year ended 30 June 2007

Economic Entity		Parent Entity	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000

### NOTE 24: 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	<b>184</b>	153	<b>184</b>	153
later than 1 year but not later than 5 years	<b>50</b>	217	<b>50</b>	217
later than 5 years	-	-	-	-
	<b>234</b>	370	<b>234</b>	370

*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	<b>1,546</b>	1,528	-	-
later than 1 year but not later than 5 years	<b>582</b>	2,044	-	-
minimum lease payments	<b>2,128</b>	3,572	-	-
less: future lease finance charges	<b>(217)</b>	(365)	-	-
Recognised as a liability	<b>1,911</b>	3,207	-	-

Finance and hire purchase liabilities provided for in the financial statements:

Current	<b>1,390</b>	1,398	-	-
Non-current	<b>521</b>	1,809	-	-
Total liability	<b>1,911</b>	3,207	-	-

#### c. Exploration Commitments

In order to maintain current rights of tenure to exploration tenements, the Company will be required to spend \$6,442,000 in 2007/8.

#### d. Capital Commitments

There were no capital commitments outstanding at the end of the year.

## NOTE 25: 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
<b>Primary Industrial Segment Information 2007</b>				
Revenue from external customers	222,933	-	-	<b>222,933</b>
Inter-segment revenue	-	-	-	-
Other revenue	480	-	3,129	<b>3,609</b>
Total segment revenue	223,413	-	3,129	<b>226,542</b>
Consolidated entity profit/(loss) after income tax	112,075	(6,728)	-	<b>105,347</b>
Segment assets	228,243	47,368	-	<b>275,611</b>
Segment liabilities	137,963	34,767	-	<b>172,730</b>
Acquisition of property, plant and equipment	6,218	407	-	<b>6,625</b>
Depreciation and amortisation expense	9,638	318	-	<b>9,956</b>
Other non-cash expenses	297	11,360	1,336	<b>12,993</b>
<b>Primary Industrial Segment Information 2006</b>				
Revenue from external customers	112,583	-	-	112,583
Inter-segment revenue	-	-	-	-
Other revenue	-	-	821	821
Total segment revenue	112,583	-	821	113,404
Consolidated entity profit/(loss) after income tax	39,530	(4,544)	-	34,986
Segment assets	82,311	32,269	-	114,580
Segment liabilities	55,557	11,094	-	66,651
Acquisition of property, plant and equipment	4,986	370	-	5,356
Depreciation and amortisation expense	9,095	247	-	9,342
Other non-cash expenses	578	6,944	513	8,035

# Notes to the Financial Statements

## For the year ended 30 June 2007

Economic Entity		Parent Entity	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000

### NOTE 26: 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	<b>105,347</b>	34,986	<b>23,200</b>	15,456
Non-cash flows in profit from ordinary activities:				
Revaluation of investments in listed entities	<b>(6,585)</b>	(1,236)	<b>(6,585)</b>	(1,236)
Unrealised gain on trade debtors revaluation	<b>10,421</b>	(1,117)	-	-
Hedge reserve adjustments to income statement	-	(1,393)	-	-
Depreciation	<b>3,415</b>	5,033	<b>317</b>	246
Write-off of capitalised expenditure	<b>11,360</b>	6,909	<b>11,125</b>	2,655
Amortisation	<b>6,541</b>	4,308	-	-
Share-based payment expense	<b>1,336</b>	513	<b>1,336</b>	513
Changes in assets and liabilities:				
(Increase)/decrease in trade debtors	<b>6,888</b>	(21,444)	-	-
(Increase)/decrease in other debtors	<b>(138)</b>	375	<b>(69)</b>	44
Increase/(decrease) in trade and other payables	<b>4,774</b>	2,002	<b>(66)</b>	(267)
(Increase)/decrease in inventory	<b>(6)</b>	(199)	-	-
Increase in deferred tax asset	<b>(5,361)</b>	(3,627)	<b>(76)</b>	(37)
Increase/(decrease) in current tax payable	<b>22,510</b>	1,901	<b>(30,863)</b>	(16,588)
Increase in deferred tax liability	<b>1,121</b>	3,114	<b>1,176</b>	909
Increase/(decrease) in provisions	<b>499</b>	229	<b>(5)</b>	-
Cash flows from operations	<b>162,122</b>	30,354	<b>(510)</b>	1,695

b. Non-cash Financing and Investing Activities

During the year the economic entity acquired leased plant and equipment with an aggregate value of \$nil (2006: \$3,090 thousand).

### NOTE 27: EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial year the Company placed orders to purchase new underground machinery for \$965 thousand.

On 25 July 2007 the Company was issued with 730,000 fully paid shares in listed entity Atlas Iron Limited. The shares were issued as consideration for the Company's interest in four tenements from the Goldsworthy Project.

On 22 August 2007 the Company announced a fully franked final dividend of 12 cents per share to be paid on 17 September 2007.

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 28: 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	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>a. Director-Related Entities</b>				
Consulting fees have been paid to Virtual Genius Pty Ltd, a company to which director Mr Bonwick is related	<b>11</b>	14	<b>11</b>	14
Consulting fees have been paid to Gazmik Pty Ltd and MiningOne Pty Ltd, companies to which a director of a subsidiary is associated	<b>138</b>	65	-	-

### b. Share Transactions of Key Management Personnel

Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in Independence Group NL:

	No.	No.	No.	No.
ordinary shares	<b>5,953,506</b>	6,563,506	<b>5,953,506</b>	6,563,506
options over ordinary shares (unlisted)	<b>1,775,000</b>	2,250,000	<b>1,775,000</b>	2,250,000

Other key management personnel hold directly, indirectly or beneficially as at the reporting date the following equity interests in Independence Group NL:

ordinary shares	<b>47,500</b>	50,000	-	50,000
options over ordinary shares (unlisted)	<b>75,000</b>	112,500	-	-

### c. Key Management Personnel

The Company's key management personnel during the period were non-executive directors Rod Marston (Chairman), John Christie and Oscar Aamodt, executive directors Christopher Bonwick (Managing Director) and Kelly Ross (Company Secretary), and employees Timothy Moran (Group Operations Manager) and Brett Hartmann (General Manager – Long Nickel Mine). All were in office for the entire financial year except for Timothy Moran who resigned as an executive on 22 December 2006.

# Notes to the Financial Statements

## For the year ended 30 June 2007

### NOTE 28: RELATED PARTY TRANSACTIONS (cont.)

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 key management personnel 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	Options Unvested at end of year
	No.	No.	No.	No.	No.	No.	No.	No.
<b>2007</b>								
R Marston (i)	750,000	-	(500,000)	250,000	-	-	250,000	250,000
C Bonwick (ii), (iv)	750,000	500,000	(375,000)	875,000	-	-	375,000	875,000
K Ross (ii), (iv)	375,000	250,000	(100,000)	525,000	87,500	87,500	187,500	437,500
J Christie (i)	375,000	-	(250,000)	125,000	-	-	125,000	125,000
O Aamodt	-	-	-	-	-	-	-	-
T Moran	-	-	-	-	-	-	-	-
B Hartmann (iii)	112,500	-	(37,500)	75,000	-	-	37,500	75,000
	<b>2,362,500</b>	<b>750,000</b>	<b>(1,262,500)</b>	<b>1,850,000</b>	<b>87,500</b>	<b>87,500</b>	<b>975,000</b>	<b>1,762,500</b>

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.

	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	Options Unvested at end of year
	No.	No.	No.	No.	No.	No.	No.	No.
<b>2006</b>								
R Marston (i)	1,000,000	-	(250,000)	750,000	250,000	250,000	250,000	500,000
C Bonwick (ii)	1,500,000	-	(750,000)	750,000	-	-	375,000	750,000
K Ross (ii)	750,000	-	(375,000)	375,000	-	-	187,500	375,000
J Christie (i)	500,000	-	(125,000)	375,000	125,000	125,000	125,000	250,000
O Aamodt	-	-	-	-	-	-	-	-
T Moran	-	-	-	-	-	-	-	-
B Hartmann (iii)	150,000	-	(37,500)	112,500	-	-	37,500	112,500
	<b>3,900,000</b>	<b>-</b>	<b>(1,537,500)</b>	<b>2,362,500</b>	<b>375,000</b>	<b>375,000</b>	<b>975,000</b>	<b>1,987,500</b>

- (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 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 options were issued to the executive on 10 February 2005. The options vest 25% each 12 month period and are exercisable at \$1.16. Any options that have not vested are cancelled should the executive resign or be removed as an employee of the Company. The options expire on 30 June 2010. The fair value of the options at their grant date was 21.1 cents each.

- (iv) The options were issued to executive directors pursuant to resolutions 3 and 4 passed at the 2006 Annual General Meeting. The options were issued on 27 November 2006 with an exercise price of \$4.44 and vest 12 months after the issue date. 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 2011. The fair value of the options at their grant date was \$1.71 each.

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. The amounts are disclosed in key management personnel's compensation in respect of the financial years over which the entitlement is earned in the Remuneration Report, which forms part of the Directors' Report.

Consideration received from the cash payment in note 28(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 an additional \$920,250 was recognised in contributed equity arising from the exercise of non-executives' options described in note 28(c)(i) and \$489,250 was recognised in contributed equity arising from the exercise of executive's options described in note 28(c)(ii).

Share holdings of key management personnel for the year ending 30 June were as follows:

	Balance at Start of Year	Remuneration Options Exercised	Net Other Change During the Year	Balance at End of Year
<b>2007</b>				
R Marston	1,450,000	500,000	(430,000)	1,520,000
C Bonwick	3,873,506	375,000	(1,000,000)	3,248,506
K Ross	885,000	100,000	(290,000)	695,000
J Christie	345,000	250,000	(125,000)	470,000
O Aamodt	10,000	-	10,000	20,000
T Moran	50,000	-	(40,000)	10,000
B Hartmann	-	37,500	-	37,500
<b>Total</b>	<b>6,613,506</b>	<b>1,262,500</b>	<b>(1,875,000)</b>	<b>6,001,006</b>
<b>2006</b>				
R Marston	1,200,000	250,000	-	1,450,000
C Bonwick	3,523,506	750,000	(400,000)	3,873,506
K Ross	610,000	375,000	(100,000)	885,000
J Christie	220,000	125,000	-	345,000
O Aamodt	10,000	-	-	10,000
T Moran	125,000	-	(75,000)	50,000
B Hartmann	-	37,500	(37,500)	-
<b>Total</b>	<b>5,688,506</b>	<b>1,537,500</b>	<b>(612,500)</b>	<b>6,613,506</b>
	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Key Management Personnel Compensation				
Short-term employee benefits	<b>1,250,459</b>	1,153,673	<b>1,250,459</b>	1,153,673
Post-employment benefits	<b>84,465</b>	80,015	<b>84,465</b>	80,015
Long-term benefits	-	-	-	-
Share-based payments	<b>891,243</b>	266,728	<b>891,243</b>	266,728
	<b>2,226,167</b>	1,500,416	<b>2,226,167</b>	1,500,416

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Remuneration Report which is contained within the Directors' Report.

# Notes to the Financial Statements

## For the year ended 30 June 2007

### NOTE 28: RELATED PARTY TRANSACTIONS (cont.)

#### d. Other Related Entities

During the financial year a wholly-owned entity paid dividends of \$30,000,000 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.

	Parent Entity	
	2007 \$'000	2006 \$'000
Loan from subsidiary		
Balance at beginning of the year	<b>18,101</b>	13,970
Loan advances	<b>61,043</b>	21,795
Loan repayments	<b>39,831</b>	17,664
Balance at end of the year	<b>39,313</b>	18,101

### NOTE 29: FOREIGN EXCHANGE AND COMMODITY CONTRACTS

At 30 June 2007 the economic entity held various nickel commodity contracts designated as hedges of expected future nickel sales. These hedge contracts are in US dollars. Foreign exchange contracts are also held which match the terms of the commodity contracts. These contracts are all designated as cash flow hedges and are used to reduce the exposure to a future decrease in the Australian dollar market value of nickel sales.

The following summarises the hedge contracts held by the economic entity at 30 June 2007:

Year	Sell (Nickel Tonnes)	USD/tonne	Exchange Rate	AUD/tonne
2007/8	2,400	12,907	\$A/US\$0.7304	17,670
2008/9	2,400	13,513	\$A/US\$0.7309	18,489
Total	4,800	13,210	\$A/US\$0.7307	18,079

The hedge contracts are to be settled at the rate of 200 tonnes per month. The hedge contracts have been marked to market value as at 30 June 2007 and the resulting surplus/deficit compared to market value (net of tax) is reflected in the Hedge Reserve in the consolidated Balance Sheet.

The forecasted transaction is expected to occur 3 months prior to the maturity of its respective commodity and foreign exchange contracts.

The portion of the gain or loss on the hedging instruments to be an effective hedge is recognised directly in equity when the forecasted transaction occurs, the Group adjusts the amounts deferred in equity to the income statement. During the year ended 30 June 2007, \$15,033,092 (2006 \$5,298,219) was released from equity to the income statement for the Group only.

### NOTE 30: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and forward commodity contracts to hedge certain risk exposures.

Risk management is overseen by the Risk Management and Hedging Committees under policies approved by the Board of Directors. The Board identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, commodity price, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

### 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	
	2007 %	2006 %	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial Assets:								
Cash	<b>5.95</b>	5.02	<b>151,985</b>	26,129	<b>1</b>	1	<b>151,986</b>	26,130
Receivables			<b>25</b>	25	<b>28,130</b>	34,880	<b>28,155</b>	34,905
Investments			-	-	<b>15,104</b>	8,227	<b>15,104</b>	8,227
Total Financial Assets			<b>152,010</b>	26,154	<b>43,235</b>	43,108	<b>195,245</b>	69,262
Financial Liabilities:								
Payables			-	-	<b>14,344</b>	9,569	<b>14,344</b>	9,569
Bank Loans			-	-	-	-	-	-
Lease Liabilities	<b>8.11</b>	8.12	<b>1,911</b>	3,207	-	-	<b>1,911</b>	3,207
Total Financial Liabilities			<b>1,911</b>	3,207	<b>14,344</b>	9,569	<b>16,255</b>	12,776

Floating interest and non-interest bearing assets and liabilities have maturity periods of 1 year or less, with the exception of \$521 thousand in lease liabilities which has a maturity period of between 1 and 2 years.

### b. Credit Risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

### c. Market Risk

#### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group is paid in US dollars for its nickel deliveries and is exposed to foreign exchange risk arising from currency exposures to the US dollar.

Forward contracts transacted by the Hedging Committee are sometimes used to manage foreign exchange risk. The Board is responsible for managing exposures in foreign currency by using external forward currency contracts.

The Group's risk management policy is to hedge between 0% and 100% of anticipated transactions in US dollars for the subsequent 12 months. All of the projected purchases qualify as "highly probable" forecast transactions for hedge accounting purposes.

#### (ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available-for-sale fair value through profit or loss.

### d. Commodity Price Risk

Commodity price risk arises when nickel production is delivered to customers and a financial asset is created. The nickel price fluctuates for three months until final settlement with the customer.

Forward contracts are used to manage the commodity price fluctuation. It is the Board's policy to hedge between 0% and 100% of future anticipated transactions. All of the hedges qualify as "highly probable" forecast transactions for hedge accounting purposes.

# Notes to the Financial Statements

## For the year ended 30 June 2007

### NOTE 30: FINANCIAL RISK MANAGEMENT (cont.)

#### e. 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:

	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Listed investments	15,104	15,104	7,663	7,663
Security deposit	25	25	25	25
Unlisted investments	564	564	564	564
	15,693	15,693	8,252	8,252

### NOTE 31: 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 Group had 149 (2006: 153) employees at the end of the financial year of which 23 (2006: 18) were employed by the parent entity.

### NOTE 32: ECONOMIC DEPENDENCY

Independence Group NL depends on WMC Resources Ltd for a significant volume of revenue. During the year ended 30 June 2007 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. WMC Resources Ltd is now wholly owned by BHP Billiton Ltd.

### NOTE 33: CONTINGENT LIABILITIES

Lightning Nickel Pty Ltd, which is 100% owned by Independence Group NL, has guarantees of \$311,000 outstanding to various third parties. The guarantees relate to environmental and rehabilitation bonds predominantly for the Long Nickel Mine.

### NOTE 34: SHARE-BASED PAYMENTS

#### (i) The following share-based payment arrangements existed at 30 June 2007:

- 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. 967,700 options had been exercised or cancelled as at the end of the financial year and 82,300 options have been exercised since the end of the financial year. The remaining 400,000 expire on 30 September 2008.
- 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 and 1,125,000 had been exercised at the end of the financial year. The remaining 375,000 options expire on 30 June 2008.

- (c) 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 and 1,600,000 had been exercised at the end of the financial year. The remaining 650,000 options expire on 30 June 2008.
- (d) 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. 311,400 options were exercised as at the end of the financial year and 33,000 options have been exercised since the end of the financial year. The remaining 205,600 expire on 30 June 2009.
- (e) On 31 March 2004, the Company issued 750,000 unlisted options exercisable at \$1.16 to employees. 352,500 options had been exercised as at the end of the financial year and 97,500 options have been exercised since the end of the financial year. The remaining 300,000 expire on 30 June 2009.
- (f) On 20 December 2004, the Company issued 250,000 unlisted options exercisable at \$1.20 to employees. 125,000 options had been exercised at the end of the financial year. The options were issued pursuant to the Company's Employee Option Plan and the remaining 125,000 expire on 30 June 2009.
- (g) 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. 525,000 options had been exercised or cancelled as at the end of the financial year. The remaining 275,000 expire on 30 June 2010.
- (h) On 23 December 2005, the Company issued 150,000 unlisted options exercisable at \$1.59 to employees. The options were issued pursuant to the Company's Employee Option Plan. 37,500 options had been exercised at the end of the financial year. The remaining 112,500 expire on 30 June 2010.
- (i) On 2 May 2006, the Company issued 100,000 unlisted options exercisable at \$2.94 to employees. The options were issued pursuant to the Company's Employee Option Plan and expire on 30 June 2010.
- (j) On 16 May 2006, the Company issued 50,000 unlisted options exercisable at \$3.07 to employees. The options were issued pursuant to the Company's Employee Option Plan and expire on 30 June 2010.
- (k) On 31 October 2006, the Company issued 150,000 unlisted options exercisable at \$4.85 to employees. The options were issued pursuant to the Company's Employee Option Plan and expire on 30 June 2011.
- (l) On 13 November 2006, the Company issued 300,000 unlisted options exercisable at \$4.64 to employees. The options were issued pursuant to the Company's Employee Option Plan and expire on 30 June 2011.
- (m) On 27 November 2006, the Company issued 500,000 unlisted options to director Christopher Bonwick and 250,000 to director Kelly Ross. The options are exercisable at \$4.44. The options were issued pursuant to resolutions 3 and 4 passed at the 2006 Annual General Meeting and expire on 30 June 2011.

All options issued are exercisable 25% at the end of each year for four years with the exception of options detailed in note (m) above which are exercisable 12 months after the date of issue.

All options are only exercisable if the employee or director is still employed or engaged by the Company. If employment or directorship is terminated, only those options already vested will be exercisable with the unvested portion cancelled.

# Notes to the Financial Statements

## For the year ended 30 June 2007

### NOTE 34: SHARE-BASED PAYMENTS (cont.)

All options entitle the holder to one ordinary share in Independence Group NL for every option held and no dividend or voting rights attach to options on issue.

	Economic Entity				Parent Entity			
	2007	2006	2007	2006	2007	2006	2007	2006
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the Beginning of the year	<b>5,046,850</b>	<b>1.20</b>	6,925,000	1.12	<b>5,046,850</b>	<b>1.20</b>	6,925,000	1.12
Granted	<b>1,200,000</b>	<b>4.54</b>	300,000	2.29	<b>1,200,000</b>	<b>4.54</b>	300,000	2.29
Forfeited	-	-	-	-	-	-	-	-
Exercised	<b>(2,240,950)</b>	<b>1.17</b>	(2,178,150)	1.14	<b>(2,240,950)</b>	<b>1.17</b>	(2,178,150)	1.14
Expired	-	-	-	-	-	-	-	-
Outstanding at year-end	<b>4,005,900</b>	<b>2.23</b>	5,046,850	1.20	<b>4,005,900</b>	<b>2.23</b>	5,046,850	1.20
Exercisable at year-end	<b>1,873,175</b>	<b>1.16</b>	1,046,850	1.07	<b>1,873,175</b>	<b>1.16</b>	1,046,850	1.07

There were 2,240,950 options exercised during the year ended 30 June 2007. These options had a weighted average share price of \$1.17 at exercise date.

The options outstanding at 30 June 2007 had a weighted average exercise price of \$2.23 and a weighted average remaining contractual life of 2.39 years. Exercise prices range from \$0.96 to \$4.85 in respect of options outstanding at 30 June 2007.

The weighted average fair value of the options granted during the year was \$1.69.

This price was calculated by using a Binomial option pricing model applying the following inputs:

Weighted average exercise price	\$4.54
Weighted average life of the option	4.59 years
Underlying share price	\$4.59
Expected share price volatility	46.7%
Risk free interest rate	5.8%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under share-based payment expense in the income statement is \$1,336 thousand (2006: \$513 thousand), which relates, in full, to equity-settled share-based payment transactions.

#### (ii) Employee option plan

The establishment of the Independence Group NL Employee Option Plan was approved by shareholders at the 2000 annual general meeting. The Employee Option Plan is designed to provide long-term incentives for senior managers and executive directors to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain tenure of employment conditions are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on continued employment with the Company over the vesting period. Options granted vest 25% each year for four years. Once vested the options remain exercisable until their expiry date. Options are granted under the Plan for no consideration and carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is the price at which the Company's shares traded on the Australian Securities Exchange on the day the options are granted.

## NOTE 35: CHANGES IN ACCOUNTING POLICY

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and economic entity, but are not yet effective. They have therefore not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	AASB Standard Affected	Nature of change In Accounting Policy and Impact	Application Date of the Standard <sup>1</sup>	Application Date for the Group
AASB Interpretation 10	Interim Financial Reporting and Impairment	No change, no impact	1 November 2006	1 July 2007
AASB Interpretation 11	AASB 2: Group and Treasury Share Transactions	Independence Group NL is in the process of evaluating the effect of these changes of which the impact is not reasonably estimable at the date of this financial report.	1 March 2007	1 July 2007
AASB 2005-10	Amendments to AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 & 1038	Mainly editorial changes to AASB 132 and other standards as a result of releasing AASB 7.	1 January 2007	1 July 2007
AASB 2007-4	Amendments arising from ED 151 and Other Amendments (AASB1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)	Cash flows from operating activities will be presented on the face of the Cash Flow Statement using the indirect method instead of the direct method. This impacts the presentation of the Cash Flow Statement but there will be no impact on the net amount of cash generated from operating activities.	1 July 2007	1 July 2007
AASB 123 revision June 2007	AASB 123: Borrowing Costs	All borrowing costs for qualifying assets will have to be capitalised where commencement date for capitalisation is on or after 1 January 2009. As such, there will be no impact on prior period financial statements when this standard is adopted.	1 January 2009	1 July 2009
AASB 7	AASB 139: Financial Instruments: Disclosure and Presentation	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various additional disclosures will be required about the group's and the parent entity's financial instruments.	1 January 2007	1 July 2007
AASB 101 (revised Oct 2006)	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2007	1 July 2007
AASB 8 (replaces AASB 114)	AASB 114: Segment Reporting	This is a disclosure standard only in relation to reporting by operating segments instead of reporting by business and geographical segments.	1 January 2009	1 July 2009
<sup>1</sup>	<i>Application date of the Standard refers to the annual reporting periods commencing on or after this date.</i>			

## NOTE 36: BOARD APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the directors on 7 September 2007.

# 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 2007 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 2007.

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



C M Bonwick  
Managing Director

Dated this 7th day of September 2007

# Independent Auditor's Report

## To the members of Independence Group NL

We have audited the accompanying financial report of Independence Group NL, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report under the heading "Remuneration Report (audited)". As permitted by the Corporations Regulations 2001, the consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures") required by Accounting Standard AASB 124 Related Party disclosures, under the heading "Remuneration Report" in the directors' report and not in the financial report.

### Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(x), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated and parent entity financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform our audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

# Independent Auditor's Report

## To the members of Independence Group NL

### Independence

---

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Independence Group NL on 7 September 2007, would be in the same terms if it had been given at the date of this auditor's report.

### Auditor's Opinion on the Financial Report

---

1. In our opinion, the financial report of Independence Group NL is in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
  - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - (c) The consolidated and parent financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1(x).
2. The compensation disclosures that are contained under the heading "Remuneration Report" in the directors' report comply with Accounting Standard AASB 124.

### Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report

---

In our opinion the remuneration disclosures that are contained under the heading "Remuneration Report (audited)" of the directors' report comply with Accounting Standard AASB 124.



BDO Kendalls Audit & Assurance (WA) (formerly BDO)  
B G McVeigh  
Partner

Perth, Western Australia

Dated this 7th day of September 2007

# Additional Information

## for Listed Public Companies

The following additional information not shown elsewhere in this report is required by ASX Limited in respect of listed public companies only. This information is current as at 5 September 2007.

1. Shareholding

a. Distribution of shareholders:

Category (size of Holding)	Ordinary Shares
1 – 1,000	840
1,001 – 5,000	1,591
5,001 – 10,000	605
10,001 – 100,000	655
100,001 – and over	93
	3,784

b. The number of shareholders holding less than a marketable parcel of fully paid ordinary shares is 20. The number of shareholders holding less than an economic parcel is 167.

c. The Company has received a notice of substantial holding in relation to 8,551,349 ordinary shares from Orion Asset Management Limited and 9,180,004 ordinary shares from Barclays Global Investors Australia Limited.

d. Voting Rights

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

Fully Paid Ordinary Shares – one vote per share held.

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 114,924,857 ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange (ASX 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:-

Unlisted Options

(a) 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. 967,700 options had been exercised or cancelled as at the end of the financial year and 82,300 options have been exercised since the end of the financial year. The remaining 400,000 expire on 30 September 2008.

(b) 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 and 1,125,000 had been exercised at the end of the financial year. The remaining 375,000 options expire on 30 June 2008.

(c) 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 and 1,600,000 had been exercised at the end of the financial year. The remaining 650,000 options expire on 30 June 2008.

(d) 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. 311,400 options were exercised as at

# Additional Information

## for Listed Public Companies

the end of the financial year and 33,000 options have been exercised since the end of the financial year. The remaining 205,600 expire on 30 June 2009.

- (e) On 31 March 2004, the Company issued 750,000 unlisted options exercisable at \$1.16 to employees. 352,500 options had been exercised as at the end of the financial year and 97,500 options have been exercised since the end of the financial year. The remaining 300,000 expire on 30 June 2009.
- (f) On 20 December 2004, the Company issued 250,000 unlisted options exercisable at \$1.20 to employees. 125,000 options had been exercised at the end of the financial year. The options were issued pursuant to the Company's Employee Option Plan and the remaining 125,000 expire on 30 June 2009.
- (g) 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. 525,000 options had been exercised or cancelled as at the end of the financial year. The remaining 275,000 expire on 30 June 2010.
- (h) On 23 December 2005, the Company issued 150,000 unlisted options exercisable at \$1.59 to employees. The options were issued pursuant to the Company's Employee Option Plan and 37,500 options had been exercised at the end of the financial year. The remaining 112,500 expire on 30 June 2010.
- (i) On 2 May 2006, the Company issued 100,000 unlisted options exercisable at \$2.94 to employees. The options were issued pursuant to the Company's Employee Option Plan and expire on 30 June 2010.
- (j) On 16 May 2006, the Company issued 50,000 unlisted options exercisable at \$3.07 to employees. The options were issued pursuant to the Company's Employee Option Plan and expire on 30 June 2010.
- (k) On 31 October 2006, the Company issued 150,000 unlisted options exercisable at \$4.85 to employees. The options were issued pursuant to the Company's Employee Option Plan and expire on 30 June 2011.
- (l) On 13 November 2006, the Company issued 300,000 unlisted options exercisable at \$4.64 to employees. The options were issued pursuant to the Company's Employee Option Plan and expire on 30 June 2011.
- (m) On 27 November 2006, the Company issued 500,000 unlisted options to director Christopher Bonwick and 250,000 to director Kelly Ross. The options are exercisable at \$4.44. The options were issued pursuant to resolutions 3 and 4 passed at the 2006 Annual General Meeting and expire on 30 June 2011.

### 8. 20 Largest Holders of Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. J P Morgan Nominees Australia Limited	11,494,708	10.01
2. HSBC Custody Nominees (Australia) Limited	10,346,197	9.01
3. ANZ Nominees Limited	8,898,502	7.75
4. National Nominees Limited	7,692,739	6.70
5. Citicorp Nominees Pty Limited	7,027,540	6.12
6. Forty Traders Limited	3,334,000	2.90
7. RBC Dexia Investor Services Australia Nominees Pty Limited	2,720,943	2.37
8. Yarandi Investments Pty Ltd	2,335,852	2.03
9. Cogent Nominees Pty Ltd	2,195,974	1.91
10. Karen Alana Schiller	2,080,000	1.81
11. Virtual Genius Pty Ltd	2,000,000	1.74
12. HSBC Custody Nominees (Australia) Limited – A/c 2	1,417,557	1.23
13. Christopher Michael Bonwick	1,125,000	0.98
14. UBS Nominees Pty Ltd	1,017,133	0.89
15. Nattai Pty Ltd	930,000	0.81
16. Australian Reward Investment Alliance	841,373	0.73
17. Ross William Anderson	708,328	0.62
18. Kelly Amanda Ross	675,000	0.59
19. William Douglas Goodfellow	610,000	0.53
20. Forbar Custodians Limited	602,134	0.52
	68,052,980	59.25