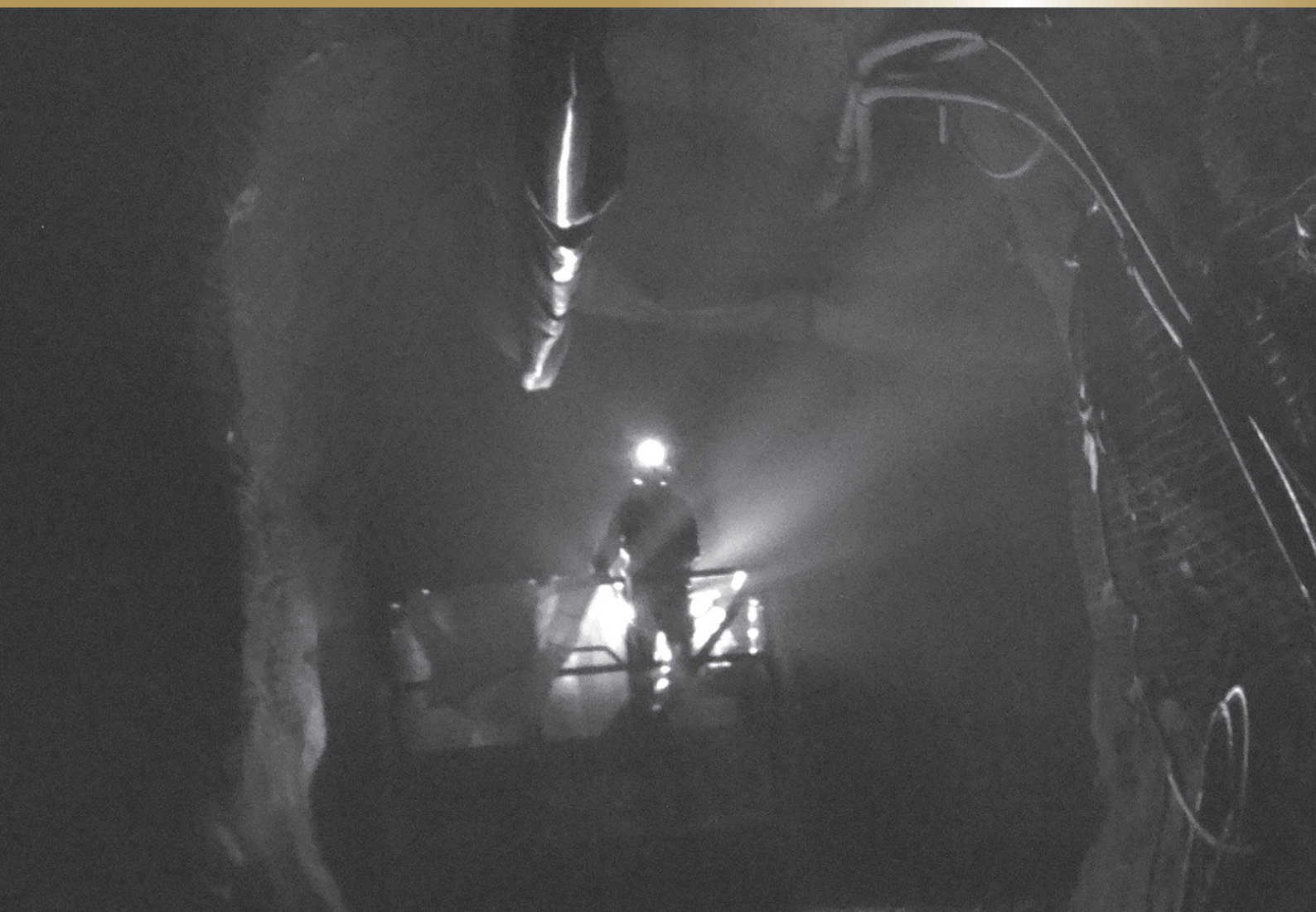




Independence Group

ABN 46 092 786 304

/ FINANCIAL REPORT for the Year Ended 30 June 2012



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DIRECTORS' REPORT

Your Directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Independence Group NL and the entities it controlled at the end of, or during, the year ended 30 June 2012.

Directors

The following persons were Directors of Independence Group NL during the whole of the financial year and up to the date of this report:

Christopher Bonwick (Managing Director)

Peter Bilbe (Non-executive Chairman)

Kelly Ross (Non-executive Director)

John Christie (Non-executive Director)

Rod Marston (Non-executive Director)

Oscar Aamodt was a Director and Non-executive Chairman from the beginning of the financial year until his resignation on 29 July 2011. Kelly Ross became a Non-executive Director from 23 August 2011 following her resignation as an executive of the Company.

Principal activities

The principal activities of the Group during the financial year were ongoing mineral exploration and nickel, copper and zinc mining.

Dividends – Independence Group NL

Dividends paid to members during the financial year were as follows:

	2012 \$'000	2011 \$'000
Final ordinary dividend for the year ended 30 June 2011 of 3 cents (2010: 3 cents) per fully paid share paid on 30 September 2011	6,087	3,414
Interim ordinary dividend for the year ended 30 June 2012 of 2 cents (2011: 4 cents) per fully paid share paid on 23 March 2012	4,658	5,551
	10,745	8,965

In addition to the above dividends, since the end of the financial year the Directors have announced the payment of a final ordinary dividend of \$2,329,000 (1 cent per fully paid share) to be paid on 28 September 2012.

Review of operations

The Long Nickel Operation performed exceptionally well this year with production of 9,995 contained nickel tonnes which exceeded production in any of the previous 10 years. Segment earnings are down on the previous corresponding period as a result of lower realised nickel prices of A\$8.98/lb nickel compared to A\$10.35/lb nickel in the previous period and higher cash costs of A\$4.74/lb nickel compared to A\$4.48/lb nickel. Exploration continued to test for new deposits along strike of the Long, Moran and McLeay ore bodies.

The Jaguar/Bentley Operation achieved annual production of zinc metal in concentrate and copper metal in concentrate of 16,569 tonnes and 7,257 tonnes respectively. This segment was acquired as a result of the acquisition of Jabiru Metals Limited in April 2011. As previously reported during the December 2011 half, the Jaguar Mine encountered unforeseen geotechnical issues which necessitated a change in ground support methodology and stope sequencing. The revised mining plan postponed the extraction of high grade stope ore and required additional footwall development in waste rock, resulting in lower than budgeted head grades.

Extraction of high grade stopes recommenced in the June 2012 half, combined with sub-level cave ore extraction and development of the Farside ore body east of Jaguar. The second half also saw a higher contribution in high grade zinc and silver ore from Bentley Mine development and the commissioning of the Heavy Media Separator (HMS) resulting in the mine exceeding 2011/12 zinc and silver guidance, with copper production slightly below budget.

The current low commodity prices and strong Australian dollar exchange rate have resulted in a new mining plan being developed for the Jaguar/Bentley Operation, selectively mining higher value blocks at a reduced mining rate compared with the April 2012 target of 600,000 tonnes pa. Lower grade Bentley stringer ore has been removed from the new schedule which focuses on mining more profitable ore blocks which can be either directly milled or upgraded by the HMS. A significant proportion of the lower grade Bentley stringer ore is located in the footwall and will not be sterilised if metal prices rise. Due to the continued low metal prices only the mining of currently developed ore in the Jaguar Mainlobe and Farside ore bodies is contemplated in the new plan.

The selective mining option which may reduce mine life, together with falling commodity prices and stronger Australian dollar have, in the opinion of management, triggered an impairment review which warranted an assessment of the carrying value of the Jaguar/Bentley Operation's assets. Impairments of the Operation during the year and at year end totalled \$255,929,000. The likely impact of these impairments in future financial years is a reduction in ongoing depreciation and amortisation charges and a corresponding increase in reportable net profit.

Exploration drilling relating to the Jaguar/Bentley Operation is ongoing and continues to target known and prospective mineralisation.

At the Tropicana Gold Mine (in which the Company has a 30% joint venture interest) construction remains on time and on schedule for the first gold pour in the December quarter 2013. The Bankable Feasibility Study (BFS) estimated open pit gold production (100% project) to average 300,000-350,000 ounces gold pa over 10 years with cash costs estimated to be in the range of A\$710-730/oz gold. Total gold production over the first 3 years was estimated by the BFS to be between 470,000-490,000 ounces pa with cash costs between A\$580-600/oz gold. Resources currently stand at 6.41 million ounces and reserves at 3.91 million ounces (100% project).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the year.

Significant events after the reporting date

On 29 August 2012, the Company announced that a final dividend for the year ended 30 June 2012 would be paid on 28 September 2012. The dividend is 1 cent per share and will be fully franked.

Other than the above, there has been no other transaction or event of a material and unusual nature likely, in the opinion of the Directors, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely developments and expected results

Detailed information about likely developments in the operations of the Group 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 Group. Exploration of new and existing project areas in the search for gold, nickel, platinoids, copper and other minerals will continue. The Group will also continue to focus on the construction of the Tropicana Gold Mine and the mining of nickel ore from the Long Nickel Operation and production of copper and zinc concentrate from the Jaguar/Bentley Operation. Stockman Project feasibility study work and Karlawinda Project scoping study work will also continue.

Environmental regulation and performance

The Group'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 Group is subject to the reporting obligations of the National Greenhouse and Energy Reporting Act 2007, under which the Group will report its greenhouse emissions, energy consumption and production from 1 July 2008. Systems have been put in place to comply with these reporting requirements. The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use.

The Group is not expecting to be subject to the requirements of the Energy Efficiency Opportunity Act 2006, under which entities will be required to assess their energy use and report publicly on the results and business response to that assessment.

The Environmental Policy is available in the Corporate Governance section of the Company's website.

DIRECTORS' REPORT

Information on Directors

The experience of each director is included in the Managing Director's Operations Report section of the Annual Report.

Peter Bilbe

Qualifications

Tenure

Special Responsibilities

Other Directorships

Chairman (Non-executive) from 29 July 2011. Age 62

BE (Mining) (Hons), MAusIMM

Board member since 31 March 2009 and Chairman since 29 July 2011.

Mr Bilbe is a member of the Remuneration Committee.

Mr Bilbe is currently a director of Northern Iron Limited and Sihayo Gold Limited. He was also a director of Norseman Gold plc until December 2011, Aurox Resources Limited until August 2010 and RMA Energy Limited until April 2010.

Christopher Bonwick

Qualifications

Tenure

Special Responsibilities

Other Directorships

Managing Director (Executive) Age 53

BSc (Hons), MAusIMM

Managing Director and Board member since 2000.

Mr Bonwick is the executive in charge of operations, risk management and corporate development.

None.

Kelly Ross

Qualifications

Tenure

Special Responsibilities

Other Directorships

Director (Non-executive) Age 50

CPA, ACSA

Board member since 2002.

Mrs Ross is a member of the Hedging Committee and has been a member of the Audit Committee since 23 August 2011. Mrs Ross was Company Secretary until her resignation on 23 August 2011.

Mrs Ross is currently a director of Musgrave Minerals Limited.

John Christie

Qualifications

Tenure

Special Responsibilities

Other Directorships

Director (Non-executive) Age 74

CPA, ACSA

Board member since 2002.

Mr Christie is a member of the Remuneration, Audit and Hedging Committees.

None.

Rod Marston

Qualifications

Tenure

Special Responsibilities

Other Directorships

Director (Non-executive) Age 69

BSc (Hons), PhD, MAIG, MSEG

Board member since 2001. Chairman from 20 August 2003 to 31 March 2009.

Dr Marston is a member of the Remuneration and Audit Committees.

Dr Marston has been a director of Kasbah Resources Limited since November 2006.

Oscar Aamodt

Qualifications

Tenure

Special Responsibilities

Other Directorships

Chairman (Non-executive) until 29 July 2011. Age 66

FCIS

Board member since 2005 and Chairman from 31 March 2009 until his resignation on 29 July 2011.

Mr Aamodt was a member of the Hedging, Remuneration and Audit Committees until his resignation on 29 July 2011.

Mr Aamodt was a director of Energy Metals Limited from July 2005 to December 2009.

Company Secretary qualifications

Mr Terry (KT) Bourke was appointed Company Secretary effective 23 August 2011. Mr Bourke, who is also employed as the Company's Legal Counsel, is a corporate lawyer with considerable mining and industrial experience. He has previously been a director of three ASX listed companies, a director of two listed Canadian mining companies and company secretary of a number of ASX listed companies. Mr Bourke holds a Bachelor of Law degree and a Bachelor of Commerce (Accounting, Finance & Systems) degree from the University of New South Wales. He is a Solicitor of the Supreme Court of New South Wales with a right of practice in Western Australia.

Mrs Kelly Ross was Company Secretary until her resignation in August 2011. Mrs Ross is a qualified accountant holding a Bachelor of Business (Accounting) and has the designation CPA from the Australian Society of Certified Practising Accountants. Mrs Ross is a Chartered Secretary with over 25 years experience in accounting and administration in the mining industry and was the Company Secretary of Independence Group NL from 2001 until her resignation in August 2011.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2012, and the numbers of meetings attended by each Director were:

	Directors' Meetings		Remuneration Committee		Audit Committee		Hedging Committee ³	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Christopher Bonwick ¹	16	16	-	-	-	-	-	-
Kelly Ross	17	17	-	-	3	3	1	1
John Christie	17	17	3	3	3	3	1	1
Rod Marston	17	17	3	3	3	3	-	-
Peter Bilbe	17	17	3	3	-	-	-	-
Oscar Aamodt ²	2	2	1	1	-	-	-	-

1. Mr Bonwick absented himself from attending one Board Meeting as its sole subject was the granting of Employee Performance Rights to him as Managing Director.
2. Mr Aamodt resigned with effect on 29 July 2011.
3. The Hedging Committee met once formally during the year to formulate recommendations to the Board and maintained a watching brief throughout the year.

Interests in shares and options of the Company

At the date of this report, the interests of the Directors in the shares and options of Independence Group NL were as follows:

	Ordinary Fully Paid Shares	Unlisted Options
Christopher Bonwick	2,057,500	-
Rod Marston	1,321,917	-
Kelly Ross	345,000	-
John Christie	503,750	-
Peter Bilbe	-	-
Total	4,228,167	-

Details of the terms and conditions for these securities are disclosed in note 32 of the Financial Statements and in notes 1 and 7 of Additional Information for Listed Public Companies.

AUDITED REMUNERATION REPORT

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001.

Remuneration policy and procedures

The Company has established a Remuneration Committee to oversee the remuneration of senior executives and executive directors. At the date of this report, the Committee members were independent directors Rod Marston, John Christie and Peter Bilbe.

The Committee reviews executive directors' and senior management's remuneration and other terms of employment annually, having regard to the skills, experience, the relative industry remuneration levels and performance of both the Company and the individuals themselves. No director may be involved in setting their own remuneration or terms and conditions.

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 \$600,000 which was approved by shareholders at the Annual General Meeting on 24 November 2010, of which \$440,000 was being utilised at 30 June 2012 (2011: \$300,000). Non-executive directors may provide additional consulting services to the Company, at a rate approved by the Board. No such services were provided during the year ending 30 June 2012.

Performance evaluations of the Board are undertaken with a view to comparing the performance of the Board and directors to the performance and growth of companies of similar size and complexity within the mining industry. The current base remuneration was last reviewed with effect from 1 September 2011.

Bonuses may be given to senior managers where the Committee believes their experience and skills have provided the Company with ongoing and enduring benefits that align with shareholder interests. Other performance-based rewards are given where the Committee believes performance of an individual senior manager compares favourably with their peers within the industry. The objective of the rewards are 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:

	2008	2009	2010	2011*	2012
Income (\$millions)	149.1	101.1	116.7	163.6	216.6
Net profit (loss) after income tax (\$millions)	51.5	16.1	28.7	5.5	(285.3)
Share price at year end (\$/share)	5.10	4.63	4.72	5.63	3.16
Dividends paid (cents/share)	17	7	5	7	5

* Includes results and performance of Jabiru Metals Limited from 4 April 2011.

Company performance based remuneration

Short term incentives (STI)

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

Managing Director's KPI's

The Board introduced a performance criteria in 2010 to incentivise the Managing Director, based on achievement versus target KPI's. The target KPI's relate to matters such as mine production, safety, mine development and costs, as well as exploration success, corporate growth, environmental activity and risk management actions. STI payments are normally delivered as a yearly cash bonus payable in the subsequent financial year. The total available to be paid as an STI for this category for 2012, relating to 2011 KPI's, was \$250,000 (2011: \$200,000 relating to 2010 KPI's). During the year, the Managing Director received 62.5% of the total allocated bonus available for the 2011 year (2011: 80.0% of the total allocated bonus available for the 2010 year).

Long term incentives (LTI) – Executives and other employees

The LTI component of the remuneration package is to reward executive directors, senior managers and other invited employees of the Company 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 Independence Group NL Employee Performance Rights Plan (PRP) was approved by shareholders at the Annual General Meeting of the Company in November 2011. Under the PRP, participants are granted share rights which will only vest if certain performance conditions are met and the employees are still employed by the Group at the end of the vesting period. Participation in the PRP is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Vesting of the performance rights to executive directors and executives is subject to a combination of Independence Group NL's shareholder return and return on equity. The performance rights will vest if over the three year measurement period the following performance hurdles are achieved:

Shareholder Return

The vesting of 75% of the performance rights at the end of the third year will be based on measuring the actual shareholder return over the three year period compared with the change in the S&P ASX 300 Metals and Mining Index (Index) over that same period. The portion of performance rights (75% of the total) that will vest based on the comparative shareholder return will be:

Shareholder return	Level of vesting
100% of the index	25%
Between 100% and 115% of the Index	Pro-rata straight line percentage
115% of the Index or greater	100%

Return on equity

The vesting of the remaining 25% of the performance rights at the end of the third year will be based on the average return on equity over the three year period compared with the average target return on equity as set by the Board for the same period.

Return on equity (ROE) for each year will be calculated in accordance with the following formula:

$$\text{ROE} = \text{Net profit after tax} / \text{Total shareholders' equity}$$

The target ROE will be set each year by the Board as part of the budget approval process for the following year. The target ROE for the financial year ending 30 June 2012 was 10%. The portion of performance rights (25% of the total) that will vest based on the comparative return on equity will be:

Actual ROE	Level of vesting
100% of average target ROE	25%
Between 100% and 115% of average target ROE	Pro-rata straight line percentage
115% of average target ROE or greater	100%

The performance rights will not be subject to any further escrow restrictions once they have vested to the employees.

Prior to the introduction of the PRP, the LTI benefits were delivered in the form of options to acquire ordinary shares in the Company. However, no options were granted or issued during the financial year (nor during the previous financial year) nor have any been granted since the end of the financial year. It is not intended to grant or issue further options under the previous arrangements.

Share trading policy

The trading of shares issued to participants under the Company's PRP is subject to, and conditional upon, compliance with the Company's employee share trading policy.

Long term incentives (LTI) – Non-executive Directors

The Independence Group NL Employee Performance Rights Plan (PRP) permits non-executive directors to be Eligible Employees and therefore to participate in the plan. It is not currently intended that non-executive directors will be issued with performance rights under the PRP and any such issue would be subject to all necessary shareholder approvals.

Use of remuneration consultants

During the year under review the Board engaged the services of Ernst & Young to advise it on the design and implementation of the Company's Employee Performance Rights Plan which is described above.

AUDITED REMUNERATION REPORT (continued)

Key Management Personnel

The directors who held office during the financial year were Peter Bilbe (Non-executive Director and Chairman from 29 July 2011), Christopher Bonwick (Managing Director), Kelly Ross (Executive Director until her resignation as an Executive of the Company on 23 August 2011, at which date she became a Non-executive Director), John Christie (Non-executive Director), Rod Marston (Non-executive Director) and Oscar Aamodt (Chairman until his resignation on 29 July 2011). The Directors held office during the entire financial year unless otherwise stated.

The only other persons who qualified as key management personnel during the financial year, and to whom this Remuneration Report also relates are as follows:

- Terry (KT) Bourke – Company Secretary/Legal Counsel (commenced employment with the Company on 9 August 2011)
- Brett Hartmann – Group Operations Manager
- Rodney Jacobs – Development Manager
- Tim Kennedy – Exploration Manager
- Scott Steinkrug – Chief Financial Officer
- Drew Totterdell – Business Development Manager
- Gary Comb – Managing Director – Jabiru Metals Limited. Mr Comb was employed by the Company's subsidiary Jabiru Metals Limited until his resignation with effect from 31 August 2011.

Employment contracts

Terms and conditions of employment contracts of key management personnel in effect at 30 June 2012 were as follows:

- Non-executive directors do not have employment contracts with the Company. Executive directors are employed under contracts which do not have a defined term. These contracts include provision for termination benefits of one month's remuneration for every year of service should the Company terminate the employment contract without cause. Termination benefits of 12 months 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. The current employment contracts as at 30 June 2012 provide for total remuneration of \$750,000 (2011: \$630,000) for Christopher Bonwick. As noted elsewhere in the report, Mrs Ross resigned her executive position with effect on 23 August 2011.
- Executive directors are entitled to receive cash and/or equity based bonuses in addition to the remuneration stated in their employment contracts and are entitled to participate in the Independence Group NL Employee Performance Rights Plan (PRP).
- The executive Terry Bourke is employed under a contract which does not have a defined term and 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 \$333,540 per annum. Mr Bourke may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board. Mr Bourke is also entitled to participate in the Company's PRP.
- The executive Brett Hartmann is employed under a contract which does not have a defined term and 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 \$392,400 per annum (2011: \$326,086). Mr Hartmann may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board. Mr Hartmann is also entitled to participate in the Company's PRP.
- The executive Rodney Jacobs is employed under a contract which does not have a defined term and 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 \$343,350 per annum. Mr Jacobs may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board. Mr Jacobs is also entitled to participate in the Company's PRP.
- The executive Tim Kennedy is employed under a contract which does not have a defined term and 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 \$305,200 per annum. Mr Kennedy may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board. Mr Kennedy is also entitled to participate in the Company's PRP.

- vii) The executive Scott Steinkrug is employed under a contract which does not have a defined term and 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 \$364,060 per annum (2011: \$250,000). Mr Steinkrug may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board. Mr Steinkrug is also entitled to participate in the Company's PRP.
- viii) The executive Drew Totterdell is employed under a contract which does not have a defined term and can be terminated by Mr Totterdell after provision of one month's notice, in which case only accrued leave and other accrued remuneration is payable. If the Company terminates Mr Totterdell's employment for reasons other than misconduct, the Company will pay 12 months remuneration as compensation. The current employment contract provides for total remuneration of \$288,850 per annum (2011: \$275,000). Mr Totterdell may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board. Mr Totterdell is also entitled to participate in the Company's PRP.
- ix) The executive Gary Comb was employed under a contract for a three year period with the subsidiary, Jabiru Metals Limited, which commenced on 1 January 2009. That contract provided that if the company terminated Mr Comb's employment for reasons other than misconduct, the company would pay 12 months remuneration as compensation. The employment contract provided for total remuneration of \$738,166 per annum (2011: \$738,166). Mr Comb's contract provided that he would also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses be approved by the Board. As noted above, Mr Comb resigned with effect on 31 August 2011.

Details of remuneration

The following tables show details of the remuneration received by the Directors and key management personnel of the Group for the current and previous financial year:

	Cash salary & fees ¹ \$	Short-term benefits Cash bonus \$	Non-monetary benefits \$	Other \$	Post-employment benefits Superannuation \$	Long-term benefits Long service leave ² \$	Share-based payments Share rights \$	Total \$
2012								
Non-executive Directors								
Oscar Aamodt ³	6,881	-	-	-	619	-	-	7,500
Peter Bilbe	133,028	-	-	-	11,972	-	-	145,000
John Christie	77,982	-	-	-	7,018	-	-	85,000
Rod Marston	77,982	-	-	-	7,018	-	-	85,000
Kelly Ross ⁴	170,149	60,000	-	-	14,348	4,345	-	248,842
Executive Directors								
Christopher Bonwick	699,469	156,250	-	-	50,000	37,715	93,708	1,037,142
Other key management personnel								
Terry Bourke ⁵	239,288	20,000	-	32,143	24,429	817	12,700	329,377
Brett Hartmann	377,954	75,000	-	-	25,000	20,836	14,942	513,732
Rodney Jacobs	314,549	20,000	-	-	27,675	4,816	13,074	380,114
Tim Kennedy ⁶	314,798	20,000	-	-	25,000	11,751	11,621	383,170
Scott Steinkrug	347,121	50,000	-	-	24,970	2,889	13,863	438,843
Drew Totterdell	280,484	50,000	-	-	23,278	4,253	10,999	369,014
Gary Comb ⁷	81,252	-	-	280,201	44,290	2,929	-	408,672
Total remuneration	3,120,937	451,250	-	312,344	285,617	90,351	170,907	4,431,406

AUDITED REMUNERATION REPORT (continued)

	Cash salary & fees ¹ \$	Cash bonus \$	Short-term benefits Non-monetary benefits \$	Other \$	Post-employment benefits Superannuation \$	Long-term benefits Long service leave ² \$	Share-based payments Share rights \$	Total \$
2011								
Non-executive Directors								
Oscar Aamodt	82,569	-	-	-	7,431	-	-	90,000
John Christie	64,220	-	-	-	5,780	-	-	70,000
Rod Marston	64,220	-	-	-	5,780	-	-	70,000
Peter Bilbe	65,535	-	-	-	4,465	-	-	70,000
Executive Directors								
Christopher Bonwick	573,677	160,000	-	-	50,986	16,237	-	800,900
Kelly Ross	313,687	60,000	9,338	-	25,204	11,533	-	419,762
Other key management personnel								
Brett Hartmann	306,746	231,200	-	-	23,882	13,845	-	575,673
Scott Steinkrug ⁸	83,589	35,068	-	-	7,357	264	-	126,278
Drew Totterdell	269,033	163,600	-	-	22,350	2,039	-	457,022
Gary Comb ⁷	162,377	-	-	14,763	22,145	(5,156)	-	194,129
	1,985,653	649,868	9,338	14,763	175,380	38,762	-	2,873,764

- Cash salary and fees include movements in annual leave provision during the year.
- Long service leave relates to movements in long service leave provision during the year.
- Mr Aamodt resigned from his position as non-executive director effective 29 July 2011.
- Mrs Ross became a non-executive Director from 23 August 2011 following her resignation as an executive of the Company. Amounts accrued for annual leave (\$53,928) and LSL (\$94,567) were paid out on termination, these amounts have been offset against the movement in the provision for the year.
- Mr Bourke commenced employment with the Company on 9 August 2011. Other short-term benefits relate to a living away from home allowance paid to Mr Bourke.
- Mr Kennedy's cash salary and fees and superannuation include amounts of \$30,000 and \$2,700 respectively which relate to fees earned in his role as non-executive director of Argentina Mining Limited.
- Mr Comb was employed by the Company from 4 April 2011, following the acquisition of Jabiru Metals Limited, until his resignation on 31 August 2011. Amounts accrued for annual leave (\$114,087) and LSL (\$114,994) were paid out on termination, these amounts have been offset against the movement in the provision for the year.
- Mr Steinkrug commenced employment with the Company on 22 February 2011.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	At Risk – LTI Equity Compensation %	At Risk – STI Performance Based Bonuses %	Fixed Remuneration %
2012			
Oscar Aamodt	-	-	100.0
Christopher Bonwick	9.0	15.1	75.9
Kelly Ross	-	24.1	75.9
John Christie	-	-	100.0
Rod Marston	-	-	100.0
Peter Bilbe	-	-	100.0
Terry Bourke	3.8	6.1	90.1
Brett Hartmann	2.9	14.6	82.5
Rodney Jacobs	3.4	5.3	91.3
Tim Kennedy	3.0	5.2	91.8
Scott Steinkrug	3.2	11.4	85.4
Drew Totterdell	3.0	13.5	83.5
Gary Comb	-	-	100.0

Name	At Risk – LTI Equity Compensation %	At Risk – STI Performance Based Bonuses %	Fixed Remuneration %
2011			
Oscar Aamodt	-	-	100.0
Christopher Bonwick	-	20.0	80.0
Kelly Ross	-	14.3	85.7
John Christie	-	-	100.0
Rod Marston	-	-	100.0
Peter Bilbe	-	-	100.0
Brett Hartmann	-	40.2	59.8
Scott Steinkrug	-	27.8	72.2
Drew Totterdell	-	35.8	64.2
Gary Comb	-	-	100.0

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

Share-based payments

All share rights relate to share rights granted under the Independence Group NL Employee Performance Rights Plan (PRP). The details of each grant of share rights affecting remuneration in the current or future reporting period are as follows:

Name	Date of grant	Number of share rights granted during the year	Fair value of share right at date of grant \$	Value of of share rights at grant date ¹ \$	Number of share rights vested during the year	Vesting date	Maximum total value of grant yet to vest ² \$
Executive Directors							
Christopher Bonwick	23/11/2011	159,235	2.14	341,559	-	1/07/2015	247,851
Other key management personnel							
Terry Bourke	13/03/2012	49,570	1.69	84,020	-	1/07/2015	71,320
Brett Hartmann	13/03/2012	58,318	1.69	98,848	-	1/07/2015	83,906
Rodney Jacobs	13/03/2012	51,028	1.69	86,492	-	1/07/2015	73,418
Tim Kennedy	13/03/2012	45,358	1.69	76,880	-	1/07/2015	65,259
Scott Steinkrug	13/03/2012	54,106	1.69	91,708	-	1/07/2015	77,845
Drew Totterdell	13/03/2012	42,928	1.69	72,763	-	1/07/2015	61,764

1. The value at grant date calculated in accordance with AASB 2 Share-based Payment of share rights granted during the year as part of remuneration.
2. Unamortised award value based on the fair value of share right at date of grant.

Remuneration options

There were no options granted to directors or key management personnel during the year (2011: nil).

No options vested to directors or key management personnel during the year. A total of 750,000 options were exercised or sold off-market by directors or executives during the 2011 financial year at a weighted average price of \$4.44.

End of Audited Remuneration Report

Share options

At the reporting date, there were no unissued ordinary shares under options, nor were there any ordinary shares issued during the year ended 30 June 2012 on the exercise of options. Refer to the remuneration report section of this report and note 33 to the financial report for further details of the Independence Group NL Employee Option Plan previously in place.

Insurance of officers

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 Law. 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.

Proceedings on behalf of the 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.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (BDO) for non-audit services provided during the year are set out below.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and the scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO received or are due to receive the following amounts for the provision of non-audit services during the year:

	\$
Taxation services	20,900
Other services	45,319
	66,219

Auditor independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13. This declaration forms part of the Directors' Report.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report 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.



P Bilbe
Chairman

Perth, Western Australia

Dated this 26th day of September 2012

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN

To the Directors of Independence Group NL

As lead auditor of Independence Group NL for the year ended 30 June 2012, 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 the audit.

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



Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

26 September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Note	Consolidated 2012 \$'000	2011 \$'000
Revenue from continuing operations	6	216,557	163,568
Other income	7	-	463
Mining, development and processing costs		(74,763)	(39,716)
Employee benefits expense		(51,636)	(28,788)
Share-based payments expense		(862)	(17)
Fair value adjustment of listed investments		(3,490)	760
Depreciation and amortisation expense		(39,231)	(27,368)
Rehabilitation and restoration borrowing costs		(375)	(109)
Exploration costs expensed		(2,813)	(2,416)
Royalty expense		(8,028)	(7,586)
Ore tolling expense		(11,234)	(8,309)
Shipping and wharfage costs		(11,178)	(1,053)
Net gains on fair value financial liabilities		1,356	2,509
Borrowing and finance costs		(1,413)	(309)
Costs associated with acquisition of subsidiary		-	(21,133)
Impairment of exploration and evaluation expenditure	21	(116,462)	(7,186)
Impairment of goodwill and other assets	21	(255,929)	-
Other expenses		(9,339)	(9,025)
(Loss) profit from continuing operations before income tax		(368,840)	14,285
Income tax benefit (expense)	9	83,548	(8,752)
(Loss) profit after income tax		(285,292)	5,533
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges, net of tax		7,273	11,065
Other comprehensive income, net of tax		7,273	11,065
Total comprehensive (loss) income		(278,019)	16,598
(Loss) profit attributable to the members of Independence Group NL		(285,292)	5,533
Total comprehensive (loss) income attributable to the members of Independence Group NL		(278,019)	16,598
		Cents	Cents
(Loss) earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic (loss) earnings per share	11	(130.47)	3.89
Diluted (loss) earnings per share	11	(130.47)	3.88

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	2012 \$'000	Consolidated 2011 \$'000 Restated*
ASSETS			
Current assets			
Cash and cash equivalents	12	192,678	228,001
Trade and other receivables	13	58,797	28,762
Current tax receivable	9	-	7,541
Inventories	14	16,786	20,908
Financial assets	15	3,346	6,849
Derivative financial instruments	25	23,950	16,997
Total current assets		295,557	309,058
Non-current assets			
Receivables	16	475	1,016
Property, plant and equipment	17	37,173	86,255
Mine properties	18	123,274	163,690
Exploration and evaluation expenditure	19	203,371	269,333
Deferred tax assets	9	152,620	111,420
Intangible assets	20	454	91,818
Derivative financial instruments	25	-	8,243
Total non-current assets		517,367	731,775
TOTAL ASSETS		812,924	1,040,833
LIABILITIES			
Current liabilities			
Trade and other payables	22	60,329	60,994
Borrowings	27	11,685	5,789
Derivative financial instruments	25	570	15,014
Provisions	23	1,260	705
Financial liabilities at fair value through profit or loss	26	4,818	11,303
Total current liabilities		78,662	93,805
Non-current liabilities			
Borrowings	27	6,934	5,694
Provisions	24	14,749	11,402
Deferred tax liabilities	9	70,454	110,327
Financial liabilities at fair value through profit or loss	26	-	5,725
Total non-current liabilities		92,137	133,148
TOTAL LIABILITIES		170,799	226,953
NET ASSETS		642,125	813,880
EQUITY			
Contributed equity	28	734,007	617,860
Reserves	29	20,618	12,483
(Accumulated losses) retained earnings	29	(112,500)	183,537
TOTAL EQUITY		642,125	813,880

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

*Refer to note 37.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Note	Consolidated 2012 \$'000	2011 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		211,390	174,418
Payments to suppliers and employees (inclusive of GST)		(183,087)	(109,673)
		28,303	64,745
Interest and other costs of finance paid		(1,307)	(268)
Exploration expenditure		(2,813)	(2,416)
Income tax received		10,057	541
Income taxes paid		(2,524)	(9,805)
Receipts from other operating activities		263	19
Net cash flows from operating activities	30	31,979	52,816
Cash flows from investing activities			
Interest received		11,422	9,897
Payments for purchase of listed investments		-	(2,774)
Proceeds from sale of property, plant and equipment and other investments		396	581
Payments for property, plant and equipment		(19,392)	(19,819)
Payments for development expenditure		(89,492)	(33,785)
Payments for exploration and evaluation expenditure		(57,244)	(32,023)
Payment for acquisition of subsidiary, net of cash acquired		-	(43,048)
Net cash flows used in investing activities		(154,310)	(120,971)
Cash flows from financing activities			
Proceeds from issue of shares		119,902	169,266
Share issue costs		(4,397)	(6,880)
Repayment of finance lease liabilities		(5,900)	(1,222)
Repayment of borrowings		(11,852)	-
Payment of dividends		(10,745)	(8,965)
Net cash flows from financing activities		87,008	152,199
Net (decrease) increase in cash held		(35,323)	84,044
Cash and cash equivalents at the beginning of the financial year		228,001	143,957
Cash and cash equivalents at the end of the financial year	12	192,678	228,001

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Issued Capital	Retained Earnings/ (Accumulated Losses)	Hedging Reserve	Share-Based Payments Reserve	Acquisition Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
At 1 July 2010	29,552	186,969	(5,781)	4,040	-	214,780
Profit for the year	-	5,533	-	-	-	5,533
Other comprehensive income						
Profit on cash flow hedges, net of tax	-	-	11,065	-	-	11,065
Total comprehensive income for the year	-	5,533	11,065	-	-	16,598
Transactions with owners in their capacity as owners						
Shares issued	593,537	-	-	-	-	593,537
Transaction costs on shares issued, net of tax	(5,229)	-	-	-	-	(5,229)
Dividends paid	-	(8,965)	-	-	-	(8,965)
Share-based payments	-	-	-	17	-	17
Gain on acquisition of non-controlling interest	-	-	-	-	3,142	3,142
At 30 June 2011	617,860	183,537	5,284	4,057	3,142	813,880
At 1 July 2011	617,860	183,537	5,284	4,057	3,142	813,880
Loss for the year	-	(285,292)	-	-	-	(285,292)
Other comprehensive income						
Profit on cash flow hedges, net of tax	-	-	7,273	-	-	7,273
Total comprehensive (loss) income for the year	-	(285,292)	7,273	-	-	(278,019)
Transactions with owners in their capacity as owners						
Shares issued	119,902	-	-	-	-	119,902
Transaction costs on shares issued, net of tax	(3,755)	-	-	-	-	(3,755)
Dividends paid	-	(10,745)	-	-	-	(10,745)
Share-based payments	-	-	-	862	-	862
At 30 June 2012	734,007	(112,500)	12,557	4,919	3,142	642,125

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

1. CORPORATE INFORMATION

The financial report of Independence Group NL (the Company) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 26 September 2012.

Independence Group NL is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Independence Group NL and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards board, Urgent Issues Group Interpretations and the Corporations Act 2001.

(i) Compliance with IFRS

The consolidated financial statements of the Independence Group NL group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The Group has not elected to early adopt any new accounting standards.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and certain classes of property, plant and equipment.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Independence Group NL (Company or parent entity) as at 30 June 2012 and the results of all subsidiaries for the year then ended. Independence Group NL and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note (2)(e)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(iii) Joint ventures

Jointly controlled operations

The proportionate interests in the assets, liabilities and expenses of a jointly controlled venture have been incorporated in the financial statements under the appropriate headings. Details of joint ventures are set out in note 38.

Joint venture entities

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.

(c) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues.

Operating segments have been identified based on the information provided to the chief operating decision makers – identified as being the board of Independence Group NL.

Operating segments that meet the quantitative criteria as described by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars (\$), which is Independence Group NL's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(e) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that become impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position.

(h) Trade and other receivables

Trade receivables are generally received up to four months after the shipment date. The receivables are initially recognised at fair value.

Trade receivables are subsequently revalued by the marking-to-market of open sales. The Group determines mark-to-market prices using forward prices at each period end for nickel ore, copper and zinc concentrate.

Collectibility of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor or default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(i) Inventories

(i) Ore and concentrate

Inventories are valued at the lower of weighted average cost and net realisable value. Costs include fixed direct costs, variable direct costs and an appropriate portion of fixed overhead costs.

(ii) Stores and fuel

Inventories of consumable supplies and spare parts are valued at the lower of cost and net realisable value. Cost is assigned on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion, and the estimated costs necessary to make the sale.

The recoverable amount of surplus items is assessed regularly on an ongoing basis and written down to its net realisable value when an impairment indicator is present.

(j) Derivative financial instruments

The Group uses derivative financial instruments to manage its risks associated with metals price and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at the end of each reporting period.

The Group uses derivative financial instruments such as foreign currency contracts and commodity contracts to hedge its risks associated with nickel, copper and zinc prices and foreign currency fluctuations. Such derivative financial instruments are recognised 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 commodity contracts) to hedge firm commitments which

meet the conditions for 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 other comprehensive income and the ineffective portion is recognised in the profit or loss. If the hedge accounting conditions are not met, movements in fair value are recognised in the profit or loss.

Amounts accumulated in equity are recycled in the statement of comprehensive income 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 profit or loss within sales.

(k) Investments and other financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

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

After initial recognition, financial assets which are classified as held for trading are measured at fair value. Gains or losses on investments held for trading are recognised in the profit or loss. 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.

For investments carried at amortised cost, gains and losses are recognised in the statement of comprehensive 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), a valuation technique is applied and if this is deemed unsuitable, they are held at initial cost.

(l) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. They are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using either units-of-production or straight-line depreciation as follows:

Depreciation periods are primarily:

Buildings	5 years
Mining plant and equipment	2 – 5 years
Motor vehicles	3 – 5 years
Furniture and fittings	3 – 5 years
Leased assets	3 – 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(m) Exploration and evaluation expenditure

Exploration and evaluation expenditure is stated at cost and is accumulated in respect of each identifiable area of interest.

Such costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest (or alternatively by its sale), or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations are continuing. Accumulated costs in relation to an abandoned area are written off to profit or loss in the period in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. An impairment exists when the carrying value of expenditure exceeds its estimated recoverable amount. The area of interest is then written down to its recoverable amount and the impairment losses are recognised in profit or loss.

Exploration and evaluation assets acquired in a business combination are initially recognised at fair value. They are subsequently measured at cost less any accumulated impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Mine properties and restoration costs

(i) Mine properties in development

When technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then any subsequent expenditure in that area of interest is classified as mine properties in development. These costs are not amortised but the carrying value is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

(ii) Mine properties in production

Mine properties in production represent the accumulation of all acquisition, exploration, evaluation and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which mining of the mineral resource has commenced. When further development expenditure, including waste development, is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property only when substantial future economic benefits are established, otherwise such expenditure is classified as part of the cost of production. Amortisation is provided on a units-of-production basis, with separate calculations being made for each mineral resource. The units-of-production method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. An impairment exists when the carrying value of expenditure not yet amortised exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount and the impairment losses are recognised in profit or loss.

(iii) Rehabilitation, restoration and environmental costs

Long-term environmental obligations are based on the Company's environmental management plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. To the extent that future economic benefits are expected to arise, these costs are capitalised and amortised over the remaining lives of the mines.

Annual increases in the provision relating to the change in the net present value of the provision are recognised as finance costs. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure.

(o) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 2(e). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

(ii) Other

Other intangible assets relate to a database for research purposes, which is carried at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the time it will take to complete the research on the database which is currently four years.

(p) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 27). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

(r) Financial liabilities

The Group designates certain liabilities at fair value through profit or loss. Financial liabilities are initially measured at cost, being the fair value of the amounts received. After initial recognition, financial liabilities are measured at fair value, with gains or losses recognised in the profit or loss.

(s) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and cumulative sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in trade and other payables.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(t) Share-based payment transactions

Equity-settled transactions

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 is currently a plan in place to provide these benefits, the Employee Performance Rights Plan (PRP), which provides benefits to executive directors and other employees.

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 in conjunction with an external valuation consultant using a trinomial tree which has been adopted by the Boyle and Law (1994) node alignment algorithm to improve accuracy. 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 the reporting 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 is treated as if it was 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 diluted earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from the sale of goods is recognised when there is persuasive evidence indicating that there has been a transfer of risks and rewards to the customer.

Sales revenue comprises gross revenue earned, net of treatment and refining charges where applicable, from the provision of product to customers, and includes hedging gains and losses. Sales are initially recognised at estimated sales value when the product is delivered. Adjustments are made for variations in metals price, assay, weight and currency between the time of delivery and the time of final settlement of sales proceeds.

(ii) Interest revenue

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(w) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting 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.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Independence Group NL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income, directly in equity or as a result of a business combination. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(x) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to shareholders, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to shareholders, adjusted for:

- cost of servicing equity;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(z) Comparatives

Comparatives have been reclassified to be consistent with the current year presentation. The reclassification does not have an impact on the results presented.

(aa) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB reference	AASB Standard affected	Nature of change	Applica- tion date of standard	Impact on Independence Group NL's financial statements	Application date for Independence Group NL
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2015	Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Company has not yet made an assessment of the impact of these amendments.	1 July 2015
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the Company's returns from investee. • Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Company does not have any special purpose entities. The Company does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.	1 July 2013
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.	Annual reporting periods commencing on or after 1 January 2013	The standard is not expected to have any impact on the current treatment of joint arrangements.	1 July 2013
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	1 July 2013

AASB reference	AASB Standard affected	Nature of change	Application date of standard	Impact on Independence Group NL's financial statements	Application date for Independence Group NL
AASB 13 (issued September 2011)	Fair Value Measurement	AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments.	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.	1 July 2013
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.	1 July 2013
AASB 2010-8 (issued December 2010)	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (AASB 112)	For investment property measured using the fair value model, deferred tax assets and liabilities will be calculated on the basis of a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.	Periods commencing on or after 1 January 2012	The Company does not have any investment property measured using the fair value model. There will therefore be no impact on the financial statements when these amendments are first adopted.	1 July 2012
AASB 2011-4 (issued July 2011)	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the Corporation Act 2001.	Annual periods commencing on or after 1 July 2013	When this standard is first adopted for the year ended 30 June 2014 the Company will show reduced disclosures under Key Management Personnel note to the financial statements.	1 July 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB reference	AASB Standard affected	Nature of change	Applica- tion date of standard	Impact on Independence Group NL's financial statements	Application date for Independence Group NL
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows: 1 statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income' 2 statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. - OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives).	1 July 2012
Interpretation 20 (issued November 2011)	Stripping Costs in the Production Phase of a Surface Mine	Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 Inventories if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, mine property asset if certain recognition criteria are met.	Annual periods commencing on or after 1 January 2013	When this standard is adopted for the year ended 30 June 2014, stripping costs are likely to be classified as both inventories under AASB 102 and a mine property asset.	1 July 2013
AASB 2012-5 (issued June 2012)	Annual Improvements to Australian Accounting Standards 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32)	Periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2013, there will be no material impact.	1 July 2013
IFRS (issued December 2011)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	1 July 2015

(ab) Parent entity financial information

The financial information for the parent entity, Independence Group NL, disclosed in note 39 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Independence Group NL. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Independence Group NL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Independence Group NL, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Independence Group NL also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Independence Group NL for any current tax payable assumed and are compensated by Independence Group NL for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Independence Group NL under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under the tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, interest rate risk, equity price 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 relating to commodity and foreign exchange risk is overseen by the Hedging Committee 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.

Risk exposures and responses

Foreign currency risk

As 100% of the Group's sales revenues for nickel, copper, zinc, silver and gold are denominated in US dollars and the majority of operating costs are denominated in Australian dollars, the Group's cash flow is significantly exposed to movements in the A\$:US\$ exchange rate. The Group mitigates this risk through the use of derivative instruments, including but not limited to forward contracts and the purchase of Australian dollar call options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The financial instruments denominated in US dollars and then converted into the functional currency (i.e. A\$) were as follows:

	Consolidated	
	2012	2011
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	16,187	13,613
Trade and other receivables	30,631	19,078
Derivative financial instruments	23,950	25,240
	70,768	57,931
Financial liabilities		
Trade and other payables	2,218	3,218
Derivative financial instruments	570	15,014
Financial liabilities at fair value through profit or loss	4,818	17,028
	7,606	35,260
Net financial assets	63,162	22,671

The cash balance only represents the cash held in the US dollar bank accounts at the reporting date and converted into Australian dollars at the 30 June 2012 A\$:US\$ exchange rate of \$1.0191 (2011: \$1.0739). The remainder of the cash balance of \$176,491,000 (2011: \$214,388,000) was held in Australian dollars and therefore not exposed to foreign currency risk.

The trade and other receivables amounts represent the US dollar denominated trade debtors. All other trade and other receivables were denominated in Australian dollars at the reporting date.

The following table summarises the Group's sensitivity of financial instruments held at 30 June 2012 to movements in the A\$:US\$ exchange rate, with all other variables held constant. Sensitivity analysis is calculated using a reasonable possible change of 1.5% (2011: 1.5%) in the foreign rate in both directions based on the exposure period of the trade receivables, a 5.0% (2011: 5.0%) variation for derivative contracts (2011: 5.0%), a 5.0% (2011: 5.0%) variation for financial liabilities and a 5% (2011: 5.0%) variation for USD cash balances in both directions.

	Profit after tax Consolidated	
	2012	2011
	\$'000	\$'000
Sensitivity of financial instruments to foreign currency movements		
Financial assets		
Cash and cash equivalents		
Increase 5.0% (2011: 5.0%)	(540)	(454)
Decrease 5.0% (2011: 5.0%)	596	502
Trade receivables		
Increase 1.5% (2011: 1.5%)	(317)	(214)
Decrease 1.5% (2011: 1.5%)	327	220
Derivative financial instruments		
Increase 5.0% (2011: 5.0%)	1,308	3,640
Decrease 5.0% (2011: 5.0%)	(1,446)	(4,583)
	(72)	(889)
Financial liabilities		
Trade and other payables		
Increase 1.5% (2011: 1.5%)	23	33
Decrease 1.5% (2011: 1.5%)	(24)	(34)
Derivative financial instruments		
Increase 5.0% (2011: 5.0%)	19	501
Decrease 5.0% (2011: 5.0%)	(21)	(553)
Financial liabilities at fair value through profit or loss		
Increase 5.0% (2011: 5.0%)	161	627
Decrease 5.0% (2011: 5.0%)	(178)	(568)
	(20)	6
Net sensitivity to foreign currency movements	(92)	(883)

Commodity price risk

The Group's sales revenues are generated from the sale of nickel, copper, zinc silver and gold. Accordingly, the Group's revenues, derivatives and trade receivables are exposed to commodity price risk fluctuations, primarily nickel, copper and zinc.

Nickel

Nickel ore sales have an average price finalisation period of three months until the sale is finalised with the customer.

It is the Board's policy to hedge between 0% and 40% of total nickel production tonnes. All of the hedges qualify as "highly probable" forecast transactions for hedge accounting purposes.

Copper and zinc

Copper and zinc concentrate sales have an average price finalisation period of up to four months from shipment date.

It is the Board's policy to hedge between 0% and 40% of total copper and zinc production tonnes.

The markets for nickel, copper, zinc and silver are freely traded and can be relatively volatile. As a relatively small producer, the Group has no ability to influence commodity prices. The Group mitigates this risk through derivative instruments, including, but not limited to, quotational period pricing and forward contracts.

At the reporting date, the carrying value of the financial instruments exposed to commodity price movements were as follows:

	Consolidated	
	2012 \$'000	2011 \$'000
Financial instruments exposed to commodity price movements		
Financial assets		
Trade and other receivables	30,519	19,046
Derivative financial instruments – commodity hedging contracts	15,065	150
	45,584	19,196
Financial liabilities		
Derivative financial instruments – commodity hedging contracts	570	15,014
Financial liabilities at fair value through profit or loss	4,818	17,028
	5,388	32,042
Net exposure	40,196	(12,846)

The following table summarises the sensitivity of financial instruments held at 30 June 2012 to movements in the nickel price, with all other variables held constant. Trade receivables valuation uses a sensitivity analysis of 1.5% (2011: 1.5%) which is based upon the three month forward commodity rate as there is a three month lag time between delivery and final nickel price received. A 20.0% (2011: 20.0%) sensitivity rate is used to value derivative contracts held and is based on reasonable assessment of the possible changes.

	Profit after tax Consolidated	
	2012 \$'000	2011 \$'000
Sensitivity of financial instruments to nickel price movements		
Financial assets		
Trade receivables		
Increase 1.5% (2011: 1.5%)	243	215
Decrease 1.5% (2011: 1.5%)	(243)	(215)
Derivative financial instruments – commodity hedging contracts		
Increase 20.0% (2011: 20.0%)	(5,523)	-
Decrease 20.0% (2011: 20.0%)	5,523	-
	-	-
Financial liabilities		
Derivative financial instruments – commodity hedging contracts		
Increase 20.0% (2011: 20%)	-	(13,772)
Decrease 20.0% (2011: 20%)	-	13,772
	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table summarises the sensitivity of financial instruments held at 30 June 2012 to movements in the copper price, with all other variables held constant. Trade receivables valuation uses a sensitivity analysis of 1.5% (2011: 1.5%) which is based upon the three month forward commodity rate as there is a three month lag time between delivery and final copper price received. A 20.0% (2011: 20.0%) sensitivity rate is used to value derivative contracts held and is based on reasonable assessment of the possible changes.

	Profit after tax Consolidated	
	2012 \$'000	2011 \$'000
Sensitivity of financial instruments to copper price movements		
Financial assets		
Trade receivables		
Increase 1.5% (2011: 1.5%)	276	8
Decrease 1.5% (2011: 1.5%)	(276)	(8)
Derivative financial instruments – commodity hedging contracts		
Increase 20.0% (2011: 20.0%)	-	(614)
Decrease 20.0% (2011: 20.0%)	-	614
	-	-
Financial liabilities		
Derivative financial instruments – commodity hedging contracts		
Increase 20.0% (2011: 20.0%)	(2,320)	(1,045)
Decrease 20.0% (2011: 20.0%)	2,320	1,045
	-	-

The following table summarises the sensitivity of financial instruments held at 30 June 2012 to movements in the zinc price, with all other variables held constant. Trade receivables valuation uses a sensitivity analysis of 1.5% (2011: 2.4%) which is based upon the three month forward commodity rate as there is a four month lag time between delivery and final zinc price received. A 20.0% (2011: 20.0%) sensitivity rate is used to value derivative contracts held and is based on reasonable assessment of the possible changes.

	Profit after tax Consolidated	
	2012 \$'000	2011 \$'000
Sensitivity of financial instruments to zinc price movements		
Financial assets		
Trade receivables		
Increase 1.5% (2011: 2.4%)	39	74
Decrease 1.5% (2011: 2.4%)	(39)	(74)
	-	-
Financial liabilities		
Derivative financial instruments – commodity hedging contracts		
Increase 20.0% (2011: 20.0)	-	(1,702)
Decrease 20.0% (2011: 20.0%)	-	1,702
	-	-

The following table summarises the sensitivity of financial instruments held at 30 June 2012 to movements in the silver price, with all other variables held constant. A 20.0% (2011: 20.0%) sensitivity rate is used to value financial liabilities and is based on reasonable assessment of the possible changes.

	Profit after tax Consolidated	
	2012 \$'000	2011 \$'000
Sensitivity of financial instruments to silver price movements		
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Increase 20.0% (2011: 20.0%)	678	(2,392)
Decrease 20.0% (2011: 20.0%)	(678)	2,392
	-	-

Equity price risk sensitivity analysis

The following sensitivity analysis has been determined based on the exposure to equity price risks at the reporting date. Each equity instrument is assessed on its individual price movements with the sensitivity rate based on a reasonably possible change of 45% (2011: 45%). At reporting date, if the equity prices had been higher or lower, net profit for the year would have increased or decreased by \$1,506,000 (2011: \$2,157,000).

Interest rate risk

The Group's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. At the reporting date, the Group had the following exposure to interest rate risk on financial instruments:

	Consolidated	
	2012 \$'000	2011 \$'000
Financial assets		
Cash and cash equivalents	56,678	72,001
Net exposure	56,678	72,001

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 100 points higher or lower and all other variables were held constant, the Group's net profit would increase (decrease) by \$300,000 (2011: increase (decrease) by \$360,000). This is mainly due to the Group's exposure to interest rates on its cash and cash equivalents.

The interest rate on the outstanding lease liabilities is fixed for the term of the lease, therefore there is no exposure to movements in interest rates.

Credit risk

Nickel sales

The Group has a concentration of credit risk in that it depends on BHP Billiton Nickel West Pty Ltd for a significant volume of revenue. During the year ended 30 June 2012 all nickel sales revenue was sourced from this company. The risk is mitigated in that the agreement relating to sales revenue contains provision for the Group to seek alternative revenue providers in the event that BHP Billiton Nickel West Pty Ltd is unable to accept supply of the Group's product due to a force majeure event. The risk is further mitigated by the receipt of 70% of the value of any months' sale within a month of that sale occurring. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and BHP Billiton Nickel West Pty Ltd is considered to be a low risk customer.

Copper and zinc sales

Credit risk arising from sales to customers is managed by contracts that stipulate a provisional payment of at least 90% of the estimated value of each sale. This is generally paid promptly after vessel loading. Title to the concentrate does not pass to the buyer until this provisional payment is received by the Group.

Due to the large size of concentrate shipments, there are a relatively small number of transactions each month and therefore each transaction and receivable balance is actively managed on an ongoing basis with attention to timing of customer payments and imposed credit limits. The resulting exposure to bad debts is not considered significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Other

In respect of financial assets and derivative financial instruments, the Group's exposure to credit risk arises from potential default of the counter-party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at the reporting date is addressed below. The Group does not hold any credit derivatives to offset its credit exposure.

Derivative counterparties and cash transactions are restricted to high credit quality financial institutions.

The maximum exposure to credit risk at the reporting date was as follows:

	Consolidated	
	2012 \$'000	2011 \$'000
Financial assets		
Cash and cash equivalents	192,678	228,001
Trade and other receivables	35,656	28,086
Other receivables - non-current	475	476
Financial assets	3,346	6,849
Derivative financial instruments	23,950	25,240
Total exposure	256,105	288,652

On analysis of trade and other receivables, none are past due or impaired for either 30 June 2012 or 30 June 2011.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial liabilities as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Board monitors liquidity levels on an ongoing basis.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Contractual maturities			Contractual value	Carrying value
Consolidated	Less than 6 months \$'000	6-12 months \$'000	Between 1-5 years \$'000	A\$ \$'000	A\$ \$'000
2012					
Trade and other payables	56,379	-	-	56,379	56,379
Lease liabilities	7,055	5,772	7,396	20,223	18,619
	63,434	5,772	7,396	76,602	74,998
2011					
Trade and other payables	57,631	-	-	57,631	57,631
Lease liabilities	4,558	1,992	6,007	12,557	11,483
	62,189	1,992	6,007	70,188	69,114

The following table details the Group's liquidity analysis for its derivative financial instruments. The table is based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settles on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Consolidated	Contractual maturities			Contractual value	Carrying value
	Less than 6 months \$'000	6-12 months \$'000	Between 1-5 years \$'000	A\$ \$'000	A\$ \$'000
2012					
Net settled					
Commodity hedging contracts	570	-	-	570	570
Financial liabilities at fair value through profit or loss	2,677	2,141	-	4,818	4,818
	3,247	2,141	-	5,388	5,388

2011

Net settled					
Commodity hedging contracts	8,625	6,389	-	15,014	15,014
Financial liabilities at fair value through profit or loss	6,348	4,955	5,725	17,028	17,028
	14,973	11,344	5,725	32,042	32,042

Fair values

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2012				
Financial assets				
Derivative instruments				
Commodity hedging contracts	-	15,065	-	15,065
Foreign exchange hedging contracts	-	8,885	-	8,885
Listed investments	3,346	-	-	3,346
	3,346	23,950	-	27,296

Financial liabilities

Derivative instruments				
Commodity hedging contracts	-	570	-	570
Financial liabilities at fair value through profit or loss	-	4,818	-	4,818
	-	5,388	-	5,388

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

At 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivative instruments				
Commodity hedging contracts	-	150	-	150
Foreign exchange hedging contracts	-	25,090	-	25,090
Listed investments	6,849	-	-	6,849
	6,849	25,240	-	32,089
Financial liabilities				
Derivative instruments				
Commodity hedging contracts	-	15,014	-	15,014
Financial liabilities at fair value through profit or loss	-	17,028	-	17,028
	-	32,042	-	32,042

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Trade receivables

The Group estimates the value of trade receivables in accordance with the accounting policy disclosed in note 2(h).

Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates.

Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(f). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions which are detailed in note 21.

Reserve estimates

Estimates of recoverable quantities of proven and probable reserves include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reserves and their anticipated recoveries. The economic, geological and technical factors we use to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, depletion and amortisation charged to the profit or loss and the calculation of inventory. The Group prepares reserve estimates in accordance with the JORC Code, guidelines prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

Rehabilitation and restoration provisions

The provision for rehabilitation and restoration costs is based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with the assistance of an external valuer using a trinomial tree. The related assumptions are detailed in note 33. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

5. OPERATING SEGMENTS

Identification of reportable segments

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Group operates in only one geographic segment (ie. Australia) and has identified four operating segments, being the Long Nickel Operation which is disclosed under the Nickel mining segment, Jaguar/Bentley Operation which is disclosed under the Copper and zinc mining segment, the Tropicana Gold Project, and other regional exploration, scoping studies and feasibility which are disclosed under Feasibility and regional exploration activities.

The Long Nickel Operation produces primarily nickel, together with copper, from which its revenue is derived. All revenue derived by the Long Nickel Operation is received from one customer being BHP Billiton Nickel West Pty Ltd. The Registered Manager of the Long Nickel Operation is responsible for the budgets and expenditure of the operation, which includes exploration activities on the mine's tenure. The Long Nickel Operation and exploration properties are owned by the Group's subsidiary Lightning Nickel Pty Ltd.

The Jaguar/Bentley Operation primarily produces copper and zinc concentrate. Revenue is derived from a number of different customers. The Registered Manager of the Jaguar/Bentley Operation is responsible for the budgets and expenditure of the operation, responsibility for ore concentrate sales rests with corporate management. This segment was acquired as a result of the acquisition of Jabiru Metals Limited in April 2011.

The Tropicana Gold Project represents the Group's 30% joint venture interest in the Tropicana Joint Venture. AngloGold Ashanti Australia is the manager of the project and holds the remaining 70% interest. Programs and budgets are provided by AngloGold Ashanti Australia and are considered for approval by the Independence Group NL Board. Construction and development of a gold mine has commenced on the joint venture tenure. It is therefore allocated its own segment.

The Group's Exploration Manager and its Development Manager are responsible for budgets and expenditure relating to the Group's regional exploration, scoping studies and feasibility studies. The Feasibility and regional exploration division does not normally derive any income. Should a project generated by the Feasibility and regional exploration division commence generating income or lead to the construction or acquisition of a mining operation, that operation would then be disaggregated from Feasibility and regional exploration and become reportable as a separate segment.

The following segment information was provided to the Board.

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For the year ended 30 June 2012

5. OPERATING SEGMENTS (continued)

	Continuing Operations				
	Nickel mining \$'000	Copper and zinc mining \$'000	Tropicana gold project \$'000	Feasibility and regional exploration activities \$'000	Total \$'000
Year ended 30 June 2012					
Revenue					
Sales to external customers	119,096	87,609	-	-	206,705
Other revenue	1,777	115	-	8	1,900
Total segment revenue	120,873	87,724	-	8	208,605
Segment net operating profit (loss) before income tax	44,694	(283,728)	(1,736)	(118,128)	(358,898)
Segment assets	153,815	104,798	154,715	159,110	572,438
Segment liabilities	21,361	48,063	17,522	52,738	139,684
Acquisition of property, plant and equipment	9,631	17,122	291	1,465	28,509
Impairment loss before tax	1,139	255,929	-	115,323	372,391
Depreciation and amortisation expense	12,198	26,006	136	-	38,340
Other non-cash expenses	43	332	-	-	375
Year ended 30 June 2011					
Revenue					
Sales to external customers	134,464	17,469	-	-	151,933
Other revenue	5,277	38	-	-	5,315
Total segment revenue	139,741	17,507	-	-	157,248
Segment net operating profit (loss) before income tax	63,250	(14,375)	(815)	(7,568)	40,492
Segment assets	206,538	333,700	51,830	195,633	787,701
Segment liabilities	31,156	41,269	3,980	32,849	109,254
Acquisition of property, plant and equipment	14,108	6,230	372	245	20,955
Impairment loss before tax	1,041	-	-	6,145	7,186
Depreciation and amortisation expense	17,693	8,839	59	-	26,591
Other non-cash expenses	78	31	-	-	109

(i) Segment revenue reconciliation to the statement of comprehensive income

A reconciliation of reportable segment revenue to total revenue is as follows:

	Consolidated	
	2012 \$'000	2011 \$'000
Total segment revenue	208,605	157,248
Other revenue from continuing operations	7,952	6,320
Total revenue	216,557	163,568

Revenues for the nickel mining segment are all derived from a single customer, being BHP Billiton Nickel West Pty Ltd. Revenues for the copper and zinc mining segment were derived from various customers during the year.

(ii) Segment net profit (loss) before tax reconciliation to the statement of comprehensive income

A reconciliation of reportable segment net profit (loss) before income tax to net profit (loss) before income tax is as follows:

	Consolidated	
	2012	2011
	\$'000	\$'000
Segment net (loss) profit before tax	(358,898)	40,492
Interest revenue on corporate cash balances and other unallocated revenue	7,952	6,320
Unrealised gains (losses) on financial assets	(3,490)	760
Share-based payments expense	(862)	(17)
Other corporate costs	(14,898)	(14,646)
Costs associated with the acquisition of subsidiary	-	(21,133)
Net gains on silver hedge financing	1,356	2,509
Total net (loss) profit before tax per the statement of comprehensive income	(368,840)	14,285

(iii) Segment assets reconciliation to the statement of financial position

A reconciliation of reportable segment assets to total assets is as follows:

Total assets for reportable segments	572,438	787,701
Intersegment eliminations	(65,000)	(98,303)
Unallocated assets		
Deferred tax assets	152,620	111,420
Listed equity securities	3,346	6,849
Current tax assets	-	7,541
Cash and receivables held by the parent entity	146,559	132,776
Office and general plant and equipment	2,961	1,784
Goodwill	-	91,065
Total assets per the statement of financial position	812,924	1,040,833

(iv) Segment liabilities reconciliation to the statement of financial position

A reconciliation of reportable segment liabilities to total liabilities is as follows:

Total liabilities for reportable segments	139,684	109,254
Intersegment eliminations	(59,601)	(30,164)
Unallocated liabilities		
Deferred tax liabilities	70,454	110,327
Creditors and accruals	14,390	19,212
Provision for employee entitlements	1,054	1,296
Financial liabilities at fair value through profit or loss	4,818	17,028
Total liabilities per the statement of financial position	170,799	226,953

6. REVENUE

Sales revenue		
Sale of goods	206,705	151,933
	206,705	151,933
Other revenue		
Interest received	9,574	11,617
Other revenue	278	18
	9,852	11,635
Total revenue	216,557	163,568

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

7. OTHER INCOME

	Consolidated	
	2012 \$'000	2011 \$'000
Net gain on disposal of property, plant and equipment	-	463
Total other income	-	463

8. EXPENSES AND LOSSES

(Loss) profit before income tax includes the following specific items:

Cost of sale of goods	150,526	78,799
Share-based payments expense	862	17
Employee benefits expense	51,636	28,788
Finance costs – other entities	1,413	309
Exploration costs expensed	2,813	2,416
Rental expense relating to operating leases	1,218	572
Rehabilitation and restoration borrowing costs	375	109
Impairment of inventories	21	6,105
Amortisation expense	20,057	20,015
Depreciation expense	19,358	7,381
Less : Amounts capitalised	(184)	(28)
Depreciation expensed	19,174	7,353
Impairment of exploration and evaluation expenditure	116,462	7,186
Impairment of goodwill and other assets	255,929	-
Net loss on sale of property, plant and equipment and other investments	490	-

9. INCOME TAX

(a) Income tax benefit (expense)

The major components of income tax expense are:

Current income tax (benefit) expense	-	575
Deferred income tax	83,548	(9,327)
Income tax benefit (expense) reported in the statement of comprehensive income	83,548	(8,752)

Deferred tax income (expense) included in income tax expense comprises:

Increase (decrease) in deferred tax assets	40,557	39,482
(Increase) decrease increase in deferred tax liabilities	42,991	(48,809)
	83,548	(9,327)

(b) Amount charged or credited directly to equity

Deferred income tax income (expense) related to items charged or credited to other comprehensive income

Recognition of hedge contracts	(3,118)	(4,742)
Business-related capital allowances	643	1,651
Income tax expense reported in equity	(2,475)	(3,091)

(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

	Consolidated	
	2012 \$'000	2011 \$'000
(Loss) profit before tax from continuing operations	(368,840)	14,285
At the Group's statutory income tax rate of 30% (2011: 30%)	110,652	(4,286)
Costs booked directly in equity	677	413
Non-deductible costs associated with acquisition of subsidiary	(110)	(5,042)
Impairment of goodwill	(27,320)	-
Other	(268)	163
Adjustments for current tax of prior periods	(83)	-
Aggregate income tax benefit (expense)	83,548	(8,752)

(d) Deferred tax assets and liabilities

	Statement of financial position		Statement of comprehensive income		Equity		Acquisition of Subsidiary	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
								Restated*
Consolidated								
Deferred tax liabilities								
Capitalised exploration, pre-production and acquisition costs	(55,968)	(76,510)	(20,542)	46,207	-	-	-	12,437
Capitalised development expenditure	(3,810)	(26,725)	(22,915)	1,750	-	-	-	23,162
Deferred gains and losses on hedging contracts	(7,185)	(5,435)	(1,368)	693	3,118	4,742	-	-
Trade debtors	(2,481)	-	2,481	-	-	-	-	-
Other	(1,010)	(1,657)	(647)	159	-	-	-	842
Gross deferred tax liabilities	(70,454)	(110,327)	(42,991)	48,809	3,118	4,742	-	36,441
Deferred tax assets								
Property, plant and equipment	31,502	20,251	(11,251)	120	-	-	-	(18,538)
Deferred losses on hedged commodity contracts	171	4,495	4,324	866	-	-	-	(2,052)
Capitalised development expenditure	12,035	-	(12,035)	-	-	-	-	-
Consumable inventories	738	1,163	425	(1,163)	-	-	-	-
Business-related capital allowances	3,980	4,146	809	145	(643)	(1,651)	-	(1,969)
Provision for employee entitlements	1,719	1,883	164	(422)	-	-	-	(690)
Provision for rehabilitation	3,913	2,759	(1,154)	12	-	-	-	(2,536)
Mining information	11,376	11,376	-	-	-	-	-	(11,376)
Carry forward tax losses	85,661	63,488	(22,173)	(38,343)	-	-	-	(25,145)
Other	1,525	1,859	334	(697)	-	-	-	(714)
Gross deferred tax assets	152,620	111,420	(40,557)	(39,482)	(643)	(1,651)	-	(63,020)
Deferred tax (income) expense	82,166	1,093	(83,548)	9,327	2,475	3,091	-	(26,579)

* Refer to note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

9. INCOME TAX (continued)

(e) Tax consolidation

(i) Members of the tax consolidated group and the tax sharing arrangement

Independence Group NL and its wholly owned subsidiaries formed a tax consolidated group with effect from 1 July 2002. Independence Group NL is the head entity of the tax consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the "separate tax payer within group" approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company, as head entity in the tax consolidated group.

Due to the existence of a tax funding arrangement between entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax consolidated group in accordance with the arrangement.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

10. DIVIDENDS PAID AND PROPOSED

	Consolidated	
	2012 \$'000	2011 \$'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2011 of 3 cents (2010: 3 cents) per fully paid share	6,087	3,414
Interim dividend for the year ended 30 June 2012 of 2 cents (2011: 4 cents) per fully paid share	4,658	5,551
Total dividends paid during the financial year	10,745	8,965

(b) Unrecognised amounts

In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 1 cent (2011: 3 cents) per fully paid share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 28 September 2012 out of retained earnings at 30 June 2012, but not recognised as a liability at year end is:

2,329	6,087
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(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2012 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2013.

Franking credits available for subsequent financial year based on a tax rate of 30% (2011: 30%)	64,882	77,028
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The above amounts represent the balance of the franking account at the end of the reporting period, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the Directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of \$998,000 (2011: \$2,609,000).

11. EARNINGS PER SHARE

The following reflects the income used in the basic and diluted earnings per share computations:

(a) Earnings used in calculating earnings per share

(Loss) profit used in calculating basic and diluted earnings per share attributable to ordinary equity holders of the parent is a loss of \$285,292,000 (2011: profit of \$5,533,000).

(b) Weighted average number of shares

	2012 Number of Shares	2011 Number of Shares
Weighted average number of ordinary shares for basic earnings per share	218,661,089	142,247,284
Effect of dilution:		
Share options	-	265,541
Weighted average number of ordinary shares adjusted for the effect of dilution	218,661,089	142,512,825

(c) Information on the classification of securities

Options and share rights

There are share rights not included in the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period. Options previously granted to employees as described in note 33 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share in the prior period to the extent that they were dilutive. These options have not been included in the determination of basic earnings per share. There were no share options outstanding at 30 June 2012.

12. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2012 \$'000	2011 \$'000
Cash at bank and in hand	37,916	33,744
Deposits at call	18,762	38,257
Fixed term deposits	136,000	156,000
	192,678	228,001

The Group has an amount of \$11,423,000 (2011: \$3,399,000) in cash balances not generally available for use as it is subject to security with respect to government performance bonds and other guarantees issued by a financier.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 3.

13. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012 \$'000	2011 \$'000
Trade receivables	30,519	19,078
GST receivable	1,987	3,253
Sundry debtors	3,150	5,755
Prepayments	23,141	676
	58,797	28,762

No balances within trade and other receivables contain impaired assets nor are past due. It is expected that these balances will be received when due.

The Group's exposure to credit risk, foreign exchange and commodity price risk in relation to trade receivables is disclosed in note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

14. CURRENT ASSETS – INVENTORIES

	Consolidated	
	2012 \$'000	2011 \$'000
Mine spares and stores – at cost	9,332	6,324
ROM inventory – at net realisable value	341	744
Concentrate inventory – at cost	4,211	-
Concentrate inventory – at net realisable value	2,902	13,840
	16,786	20,908

Impairment charges to inventories recognised as an expense for the year ended 30 June 2012 totalled \$21,000 (2011: \$6,105,000). This expense has been included in mining and development costs.

15. CURRENT ASSETS – FINANCIAL ASSETS

Shares in Australian listed companies - at fair value through profit or loss	3,346	6,849
	3,346	6,849

The shares in Australian listed companies are valued at fair value through profit or loss and are all held for trading. Changes in the fair values of these financial assets are recognised in the profit or loss and are valued using market prices at year end.

The Group's exposure to price risk and a sensitivity analysis for financial assets are disclosed in note 3.

16. NON-CURRENT ASSETS – RECEIVABLES

Term deposits	475	476
Lease incentive asset	-	540
	475	1,016

The cash on deposit is interest-bearing and is used by way of security for government performance bonds issued by a financier.

17. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2012 \$'000	2011 \$'000
Buildings - at cost	17,706	14,471
Accumulated depreciation and impairment	(8,079)	(524)
Net carrying amount	9,627	13,947
Mining plant under construction - at cost	2,102	11,191
Net carrying amount	2,102	11,191
Mining plant and equipment - at cost	89,281	68,959
Accumulated depreciation and impairment	(74,477)	(26,820)
Net carrying amount	14,804	42,139
Motor vehicles - at cost	5,879	3,913
Accumulated depreciation and impairment	(4,735)	(1,862)
Net carrying amount	1,144	2,051
Furniture, fittings and other equipment - at cost	5,632	5,878
Accumulated depreciation and impairment	(3,810)	(2,821)
Net carrying amount	1,822	3,057
Leased assets	24,128	15,076
Accumulated depreciation and impairment	(16,454)	(1,206)
Net carrying amount	7,674	13,870
Total net carrying amount	37,173	86,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

(a) Reconciliation of the carrying amounts at the beginning and end of the period

Reconciliations of the carrying amount for each class of property, plant and equipment at the beginning and end of the financial year are as follows:

	Consolidated	
	2012 \$'000	2011 \$'000
Buildings		
Carrying amount at beginning of financial year	13,947	-
Additions	2,038	541
Acquisition of subsidiary	-	6,357
Transfers	1,142	7,573
Disposals	(356)	-
Impairment	(4,488)	-
Depreciation expense	(2,656)	(524)
Carrying amount at end of financial year	9,627	13,947
Mining plant under construction		
Carrying amount at beginning of financial year	11,191	-
Additions	1,977	5,889
Acquisition of subsidiary	-	17,320
Transfers	(11,066)	(12,018)
Carrying amount at end of financial year	2,102	11,191
Mining plant and equipment		
Carrying amount at beginning of financial year	42,139	3,372
Additions	13,165	13,722
Acquisition of subsidiary	-	29,279
Transfers	8,355	393
Disposals	(64)	-
Impairment	(38,929)	-
Depreciation expense	(9,862)	(4,627)
Carrying amount at end of financial year	14,804	42,139
Motor vehicles		
Carrying amount at beginning of financial year	2,051	495
Additions	1,117	377
Acquisition of subsidiary	-	1,490
Transfers	466	46
Disposals	(204)	-
Impairment	(1,646)	-
Depreciation expense	(640)	(357)
Carrying amount at end of financial year	1,144	2,051
Furniture, fittings and other equipment		
Carrying amount at beginning of financial year	3,057	1,203
Additions	1,445	1,180
Acquisition of subsidiary	-	1,237
Transfers	(840)	102
Disposals	(104)	(2)
Impairment	(878)	-
Depreciation expense	(858)	(663)
Carrying amount at end of financial year	1,822	3,057

	Consolidated	
	2012 \$'000	2011 \$'000
Leased assets		
Carrying amount at beginning of financial year	13,870	-
Additions	10,978	4,832
Acquisition of subsidiary	-	10,362
Transfers	(335)	-
Disposals	(390)	(114)
Impairment	(11,107)	-
Depreciation expense	(5,342)	(1,210)
Carrying amount at end of financial year	7,674	13,870
Total property, plant and equipment		
Carrying amount at beginning of financial year	86,255	5,070
Additions	30,720	26,541
Acquisition of subsidiary	-	66,045
Transfers to mine properties in development	-	(3,904)
Transfer to mine properties in production	(2,278)	-
Disposals	(1,118)	(116)
Impairment charge	(57,048)	-
Depreciation expense	(19,358)	(7,381)
Carrying amount at end of financial year	37,173	86,255

18. NON-CURRENT ASSETS - MINE PROPERTIES

Mine properties in development	59,609	89,770
Mine properties in production	63,665	73,920
Mine acquisition costs	-	-
	123,274	163,690

Reconciliations of the carrying amounts at the beginning and end of the financial year are as follows:

Mine properties in development		
Carrying amount at beginning of financial year	89,770	-
Additions	51,747	12,875
Acquisition of subsidiary	-	72,003
Transfer from exploration and evaluation	-	988
Transfer from property, plant and equipment	-	3,904
Transfer to mine properties in production	(81,908)	-
Carrying amount at end of financial year	59,609	89,770
Mine properties in production		
Carrying amount at beginning of financial year	73,920	37,064
Additions	28,417	21,532
Acquisition of subsidiary	-	32,066
Transfer from exploration and evaluation expenditure	4,716	2,294
Transfer from mine properties in development	81,908	-
Transfer from property, plant and equipment	2,278	-
Transfer from mine acquisition costs	-	240
Impairment charge	(107,816)	-
Amortisation expense	(19,758)	(19,276)
Carrying amount at end of financial year	63,665	73,920
Mine acquisition costs		
Carrying amount at beginning of financial year	-	726
Transfer to prepayments	-	-
Amortisation expense	-	(486)
Transfer to mine properties in production	-	(240)
Carrying amount at end of financial year	-	-

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For the year ended 30 June 2012

19. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION EXPENDITURE

	2012 \$'000	Consolidated 2011 \$'000 Restated*
Exploration and evaluation costs	203,371	269,333
	203,371	269,333
Reconciliations of the carrying amounts at the beginning and end of the financial year are as follows:		
Carrying amount at beginning of financial year	269,333	49,302
Additions	55,216	31,781
Acquisition of subsidiary	-	199,718
Transfer to mine properties in production	(4,716)	(2,294)
Transfers to mine properties in development	-	(988)
Impairment charge	(116,462)	(7,186)
Disposals	-	(1,000)
Carrying amount at end of financial year	203,371	269,333

* Refer to note 37.

20. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Goodwill \$'000 Restated*	Consolidated Database \$'000	Total \$'000 Restated*
At 1 July 2010			
Cost	-	1,378	1,378
Accumulated amortisation	-	(372)	(372)
Net book amount	-	1,006	1,006
Year ended 30 June 2011			
Opening net book amount	-	1,006	1,006
Goodwill recognised on acquisition of subsidiary	91,065	-	91,065
Amortisation expense	-	(253)	(253)
Closing net book amount	91,065	753	91,818
At 30 June 2011			
Cost	91,065	1,378	92,443
Accumulated amortisation	-	(625)	(625)
Net book amount	91,065	753	91,818
Year ended 30 June 2012			
Opening net book amount	91,065	753	91,818
Impairment charge	(91,065)	-	(91,065)
Amortisation expense	-	(299)	(299)
Closing net book amount	-	454	454
At 30 June 2012			
Cost	91,065	1,378	92,443
Accumulated amortisation and impairment	(91,065)	(924)	(91,989)
Net book amount	-	454	454

* Refer to note 37.

21. IMPAIRMENTS

Goodwill and other assets

Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired. Goodwill is allocated to the Company's cash generating units (CGUs) for impairment testing purposes. The Jaguar Bentley copper and zinc mine was attributed all of the goodwill that was acquired in the acquisition of Jabiru Metals Limited in April 2011. The process of impairment testing requires management to consider critical accounting estimates and judgements. As at 31 December 2011, management considered that triggers for the impairment of goodwill existed which warranted an impairment test of the Jaguar/ Bentley CGU and its allocated goodwill. At the reporting date, management considered that indicators of impairment continued to exist.

In assessing whether impairment losses are required to be booked, the carrying value of a CGU's assets are compared to the recoverable amount of those assets. The recoverable amount is the higher of fair value less costs to sell of the CGU and its value-in-use. During the financial year, the Company impaired the Jaguar Bentley CGU at 31 December 2011 "December impairment". The Company further impaired that CGU at the reporting date "June impairment" based on a revision of estimates applicable to the impairment calculations at the time. In both cases, the Company has determined that value-in-use provides the higher estimation of recoverable amount of the CGU. Management has determined that impairment losses as outlined below have been required to be recorded in the statement of comprehensive income of the Group during the financial year. The following table outlines the total impairment expense booked to the accounts, and classes of assets affected:

	31 December 2011 \$'000	30 June 2012 \$'000	Total 2012 \$'000
Mine properties	43,086	64,730	107,816
Property, plant and equipment	23,593	33,455	57,048
Goodwill	91,065	-	91,065
	157,744	98,185	255,929

Value-in-use of the CGU has been determined with reference to discounted cash flows. In determining value-in-use, it has been necessary to make certain assumptions in order to estimate future cash flows. These include future sales prices, inflation, foreign exchange rates, costs of production, physical quantities of ore mined, processed, recovered and sold. External consensus data has been sourced to determine applicable forecast commodity prices, foreign exchange and inflation rates. The Company's most recent life of mine plan approved by management has been used to determine production quantities and costs. In relation to the December impairment, this plan extended over a period of 6 to 7 years which management considered appropriate given the amount of estimated recoverable reserves and resources of the mine which were based on forecast future commodity prices at that time. At the reporting date, and as a result of ongoing adverse commodity prices and strengthening AUD forecasts, management has determined an applicable period for the processing of ores of 5-6 years. The discount rate used was and continues to be based on the Company's estimated weighted average cost of capital. This figure includes market estimates of the risk free rate, a market premium and cost of debt. The nominal pre-tax discount rates used in the December and June impairment's value-in-use calculations ranged between 8 and 10%.

Exploration and evaluation expenditure

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Management regularly evaluates the recoverability of exploration and evaluation assets. Consistent with the triggers that led to the impairment of goodwill and other assets (including unfavourable commodity prices and foreign exchange rates), the Company has impaired the following capitalised exploration and evaluation costs:

	Consolidated 2012 \$'000	2011 \$'000
Jaguar regional exploration costs	36,829	994
Stockman exploration costs	56,402	-
Other exploration costs	23,231	6,192
	116,462	7,186

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For the year ended 30 June 2012

22. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2012 \$'000	2011 \$'000
Trade payables	11,591	19,358
Other payables	44,788	38,273
Employee entitlements	3,950	3,363
	60,329	60,994

23. CURRENT LIABILITIES – PROVISIONS

Provision for employee entitlements	1,260	705
	1,260	705

24. NON-CURRENT LIABILITIES – PROVISIONS

Provision for employee entitlements	1,704	2,207
Provision for rehabilitation costs (i)	13,045	9,195
	14,749	11,402

(i) Movements in the provision for rehabilitation costs during the year are as follows:

Carrying amount at beginning of financial year	9,195	312
Additional provision	3,475	372
Additional provision on acquisition of subsidiary	-	8,402
Rehabilitation and restoration borrowing costs expense	375	109
Carrying amount at end of financial year	13,045	9,195

Rehabilitation provision

A provision for restoration is recognised in relation to mining activities for such costs as reclamation, waste site closure, plant closure and other costs associated with the restoration of the mining sites.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	2012 \$'000	2011 \$'000
Current assets		
Commodity hedging contracts – at fair value through profit or loss	3,815	114
Commodity hedging contracts – cash flow hedges	11,250	-
Foreign currency contracts – at fair value through profit or loss	2,398	9,643
Foreign currency contracts – cash flow hedges	6,487	7,240
	23,950	16,997
Current liabilities		
Commodity hedging contracts – at fair value through profit or loss	570	6,879
Commodity hedging contracts – cash flow hedges	-	8,135
	570	15,014
Non-current assets		
Commodity hedging contracts – cash flow hedges	-	36
Foreign currency contracts – cash flow hedges	-	8,207
	-	8,243

(a) Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates and commodity prices.

The fair value of the derivative instruments at the reporting date is reflected in current and non-current assets and liabilities in the statement of financial position and is calculated by comparing the contracted rate to the market rates for derivatives with the same length of maturity.

Refer to note 3 and below for details of the foreign currency and commodity prices risk being mitigated by the Company's derivative instruments as at 30 June 2012 and 30 June 2011.

Cash flow hedges

At 30 June 2012, the Group 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 outstanding contracts held by the Group at 30 June 2012 are as follows:

Year of delivery	Sell (Nickel tonnes)	USD/tonne	Exchange rate	AUD/tonne
2012/13	2,400	23,233	0.8659	26,831
Total	2,400	23,233	0.8659	26,831

The hedge contracts are to be settled at the rate of 200 tonnes per month in 2012/13. The hedge contracts have been marked to market as at 30 June 2012 and the resulting surplus/deficit compared to market value (net of tax) is reflected in the hedging reserve in the consolidated statement of financial position. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Company adjusts the initial measurement of the component recognised in the profit or loss by the related amount deferred in equity.

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

The following table details the forward foreign currency contracts outstanding at reporting date:

	Notional amounts (US\$)		Weighted average A\$:US\$ exchange rate		Fair value	
	2012 \$'000	2011 \$'000	2012	2011	2012 \$'000	2011 \$'000
Sell USD forward						
0 – 3 months	13,940	9,720	0.8659	0.8220	2,398	2,679
3 – 6 months	13,940	9,720	0.8659	0.8220	2,273	2,543
6 – 12 months	27,880	19,440	0.8659	0.8220	4,214	4,697
1 – 2 years	-	55,760	-	0.8659	-	8,207
Total	55,760	94,640	0.8659	0.8473	8,885	18,126

Derivatives at fair value through profit or loss

In addition to the above, the Group also had a number of derivative financial instruments outstanding at 30 June 2012 which were designated as derivatives at fair value through profit or loss. These contracts do not qualify as cash flow hedges and therefore the fair value marked to market adjustments on these contracts is recorded directly in the profit or loss for the period. Details of foreign currency and commodity derivatives at fair value through profit or loss outstanding as at 30 June 2012 and 30 June 2011 are summarised on the next page.

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For the year ended 30 June 2012

25. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Currency derivatives – at fair value through profit or loss

US dollar put options purchased – at fair value through profit or loss at the reporting date were as follows:

	Notional amounts (US\$)		Weighted average A\$:US\$ exchange rate		Fair value	
	2012 \$'000	2011 \$'000	2012	2011	2012 \$'000	2011 \$'000
0 – 6 months	-	11,500	-	0.9070	-	1,819
6 – 12 months	-	8,000	-	0.9070	-	1,180
Total	-	19,500	-	0.9070	-	2,999

US dollar collar structures (i.e. purchased put and sold call) – at fair value through profit or loss at the reporting date were as follows:

	Notional amounts (US\$)		Weighted average A\$:US\$ exchange rate		Fair value	
	2012 \$'000	2011 \$'000	2012	2011	2012 \$'000	2011 \$'000
0 – 6 months						
US\$ put options purchased	-	13,500	-	0.9367	-	1,721
US\$ call options sold	-	13,500	-	0.7587	-	(9)
6 – 12 months						
US\$ put options purchased	-	14,000	-	0.9350	-	1,726
US\$ call options sold	-	14,000	-	0.7855	-	(104)
Total/weighted average strike price						
US\$ put options purchased	-	27,500	-	0.9358	-	3,447
US\$ call options sold	-	27,500	-	0.7721	-	(113)

US dollar forward exchange contracts – at fair value through profit or loss at the reporting date were as follows:

	Notional amounts (US\$)		Weighted average A\$:US\$ exchange rate		Fair value	
	2012 \$'000	2011 \$'000	2012	2011	2012 \$'000	2011 \$'000
0 – 6 months	-	1,000	-	0.8559	-	210
6 – 12 months	-	2,000	-	0.8412	-	421
Total	-	3,000	-	0.8460	-	631

Commodity derivatives - at fair value through profit or loss

Copper

US dollar forward copper sales contracts – at fair value through profit or loss at the reporting date were as follows:

	Tonnes of metal		Weighted average price (US\$/metric tonne)		Fair value	
	2012	2011	2012	2011	2012 \$'000	2011 \$'000
0 – 6 months	2,200	1,350	7,423	7,760	(570)	(2,096)
Total	2,200	1,350	7,423	7,760	(570)	(2,096)

Zinc

US dollar forward zinc sales contracts – at fair value through profit or loss at the reporting date were as follows:

	Tonnes of metal		Weighted average price (US\$/metric tonne)		Fair value	
	2012	2011	2012	2011	2012 \$'000	2011 \$'000
0 – 6 months	-	3,100	-	2,040	-	(963)
6 – 12 months	-	2,375	-	1,961	-	(981)
Total	-	5,475	-	2,006	-	(1,944)

26. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated	
	2012 \$'000	2011 \$'000
Current liabilities		
Silver hedge financing – at fair value through profit or loss	4,818	11,303
	4,818	11,303
Non-current liabilities		
Silver hedge financing – at fair value through profit or loss	-	5,725
	-	5,725

At the reporting date, a wholly-owned subsidiary of the Group had amounts outstanding under a prepaid silver swap. Under the terms of the swap, the subsidiary received an up-front cash payment in return for forward sales of silver over the period to June 2013. At 30 June 2012, 180,000 ounces of silver were outstanding (2011: 529,159 ounces). The Group assumed the liability as a result of the acquisition of Jabiru Metals Limited in April 2011 (refer note 37).

The USD forward silver sales contracts outstanding at 30 June 2012 are as follows:

	Ounces of metal		Weighted average price (US\$/ounce)		Fair value	
	2012	2011	2012	2011	2012 \$'000	2011 \$'000
0 – 6 months	100,000	195,893	27.83	19.54	2,677	6,348
6 – 12 months	80,000	153,266	27.83	19.54	2,141	4,955
12 – 18 months	-	100,000	-	27.83	-	3,190
18 – 24 months	-	80,000	-	27.83	-	2,535
Total	180,000	529,159	27.83	22.36	4,818	17,028

27. BORROWINGS

	Consolidated	
	2012 \$'000	2011 \$'000
Current		
Obligations under finance leases (note 34)	11,685	5,789
	11,685	5,789
Non-current		
Obligations under finance leases (note 34)	6,934	5,694
	6,934	5,694

(a) Fair value

The carrying amount of the Group's current and non-current loans and borrowings approximate to their fair value.

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk are disclosed in note 3.

(c) Assets pledged as security

The Group has mining plant and equipment subject to finance lease totalling \$12,194,000 (2011: \$13,870,000). Refer to notes 17 and 34 for further information.

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For the year ended 30 June 2012

27. BORROWINGS (continued)

(d) Financing arrangements

The Group had access to the following financing arrangements at the reporting date:

	2012 \$'000	Consolidated 2011 \$'000
Total facilities		
Finance lease	35,000	21,000
Guarantee facility	16,000	8,000
	51,000	29,000
Facilities used as at reporting date		
Finance lease	18,619	14,244
Guarantee facility	13,911	5,562
	32,530	19,806
Facilities unused as at reporting date		
Finance lease	16,381	6,756
Guarantee facility	2,089	2,438
	18,470	9,194

28. CONTRIBUTED EQUITY

	2012 \$'000	Consolidated 2011 \$'000
Fully paid issued capital	734,007	617,860

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Movements in shares on issue	2012 No. of shares	2012 \$'000	2011 No. of shares	2011 \$'000
Balance at beginning of financial year	202,907,135	617,860	113,813,539	29,552
Issued during the year:				
-share placement and rights issue	29,975,400	119,902	24,713,766	164,347
-transaction costs, net of tax	-	(3,755)	-	(5,229)
-conversion of options	-	-	1,087,500	4,920
-shares issued for acquisition of subsidiary	-	-	63,292,330	424,270
Balance at end of financial year	232,882,535	734,007	202,907,135	617,860

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

Operating cash flows are used to maintain and expand the Group's operating and exploration assets, as well as to make dividend payments. The Board reassesses the Group's debt levels and capital structure prior to making any major investment or expansion decisions.

None of the Group's entities are currently subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year.

29. RESERVES AND RETAINED EARNINGS

	Consolidated	
	2012 \$'000	2011 \$'000
(a) Reserves		
Share-based payments reserve	4,919	4,057
Hedging reserve	12,557	5,284
Acquisition reserve	3,142	3,142
	20,618	12,483
Movements		
<i>Share-based payments reserve</i>		
Balance at beginning of financial year	4,057	4,040
Share-based payments expense	862	17
Balance at end of financial year	4,919	4,057
<i>Hedging reserve</i>		
Balance at beginning of financial year	5,284	(5,781)
Revaluation – gross	21,971	8,754
Deferred tax	(6,592)	(2,626)
Transfer to net profit – gross	(11,580)	7,053
Deferred tax	3,474	(2,116)
Balance at end of financial year	12,557	5,284
<i>Acquisition reserve</i>		
Balance at beginning of financial year	3,142	-
Excess of carrying value of non-controlling interest over fair value of shares issued	-	3,142
Balance at end of financial year	3,142	3,142
(b) (Accumulated losses) retained earnings		
Balance at beginning of financial year	183,537	186,969
Net (loss) profit for the year	(285,292)	5,533
Dividends paid during the year	(10,745)	(8,965)
Balance at end of financial year	(112,500)	183,537

(c) Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to record the value of share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to note 33 for further details of these plans.

Hedging reserve

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 or loss when the associated hedged transaction affects profit or loss.

Acquisition reserve

The acquisition reserve is used to record differences between the carrying value of non-controlling interests and the fair value of the shares issued, where there has been a transaction involving non-controlling interests that do not result in a loss of control. The reserve is attributable to the equity of the parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

30. CASH FLOW STATEMENT RECONCILIATION

	Consolidated	
	2012 \$'000	2011 \$'000
Net (loss) profit for the year	(285,292)	5,533
Adjustments for:		
Depreciation and amortisation	39,231	27,368
Impairment of exploration and evaluation expenditure	116,462	7,186
Loss (gain) on disposal of property, plant and equipment and other investments	490	(463)
Devaluation (revaluation) of investments in listed entities	3,490	(760)
Interest income	(11,422)	(9,897)
Employee share-based payment expenses	862	522
Unrealised gains on financial liabilities	(1,356)	(2,509)
Unrealised (gain) loss on changes in fair value of derivative financial instruments	(2,764)	(5,522)
Impairment of goodwill and other assets	255,929	-
Amortisation of lease incentive liability	(55)	-
Changes in operating assets and liabilities		
(Increase)/decrease in trade debtors	(11,441)	12,400
(Increase)/decrease in other debtors and prepayments	3,642	(4,619)
(Increase)/decrease in inventories	4,122	4,924
(Increase)/decrease in income tax receivable	7,541	(7,541)
(Increase)/decrease in deferred tax assets	(40,557)	(39,482)
Increase/(decrease) in trade and other payables	(4,370)	17,995
Increase/(decrease) in current tax payable	-	(2,299)
Increase/(decrease) in deferred tax liability	(42,991)	48,809
Increase/(decrease) in provisions	458	1,171
Net cash flows from operating activities	31,979	52,816
Non-cash investing and financing activities		
Acquisition of plant and equipment by means of finance leases	13,036	4,973
Shares issued for acquisition of subsidiary	-	424,270
	13,036	429,243

31. RELATED PARTIES DISCLOSURE

(a) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b):

Name of Entity	Country of Incorporation	Class of share	Equity interest	
			2012 %	2011 %
Lightning Nickel Pty Ltd*	Australia	Ordinary	100	100
Newsearch Pty Ltd	Australia	Ordinary	100	100
Karlawinda Pty Ltd	Australia	Ordinary	100	100
Jabiru Metals Limited*	Australia	Ordinary	100	100
Jabiru Metals ESP Pty Ltd	Australia	Ordinary	100	100
Jabiru Metals Exploration Pty Ltd	Australia	Ordinary	100	100
Jabiru Metals Exploration Parent Pty Ltd	Australia	Ordinary	100	100
Stockman Project Pty Ltd	Australia	Ordinary	100	100
Stockman Parent Pty Ltd	Australia	Ordinary	100	100
Jaguar Project Pty Ltd	Australia	Ordinary	100	100
Jaguar Project Parent Pty Ltd	Australia	Ordinary	100	100
Jabiru CM Pty Ltd	Australia	Ordinary	100	100
BBS Company Pty Ltd	Australia	Ordinary	100	100
Jabiru Projects Pty Ltd	Australia	Ordinary	100	100

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. Refer to note 40 for further information.

(b) Key management personnel

Details relating to key management personnel (KMP), including remuneration paid, are included in note 32.

(c) Transactions with related parties

During the financial year, a wholly-owned entity paid dividends of \$89,700,000 (2011: \$30,000,000) to Independence Group NL. This amount has been eliminated on consolidation for the purposes of calculating the profit of the Group for the financial year. Loans were made between Independence Group NL and certain entities in the wholly-owned group. The loans receivable from controlled entities are interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

32. KEY MANAGEMENT PERSONNEL

(a) Compensation of key management personnel

	2012 \$'000	Consolidated 2011 \$'000
Short-term employee benefits	3,884,531	2,659,622
Post-employment benefits	285,617	175,380
Long-term employee benefits	90,351	38,762
Share-based payments	170,907	-
	4,431,406	2,873,764

(b) Shareholdings, share rights and option holdings of key management personnel

The number of shares in the Company, share rights for ordinary shares in the Company and options over ordinary shares in the Company held by each director and other key management personnel, including their personally related entities, are set out below.

Shareholdings in the Company

2012	Balance 1 July 2011	Granted as Remuneration	Received on Exercise of Options	Net Other Changes During the Year	Balance 30 June 2012
Directors of Independence Group NL					
O Aamodt ¹	32,000	-	-	(32,000)	-
C Bonwick	2,050,000	-	-	7,500	2,057,500
K Ross	345,000	-	-	-	345,000
J Christie	500,000	-	-	3,750	503,750
R Marston	1,314,417	-	-	7,500	1,321,917
P Bilbe	-	-	-	-	-
Other key management personnel					
T Bourke	-	-	-	-	-
B Hartmann	40,000	-	-	-	40,000
R Jacobs	-	-	-	-	-
T Kennedy ²	-	-	-	50,000	50,000
S Steinkrug	2,000	-	-	-	2,000
D Totterdell	4,800	-	-	-	4,800
G Comb ¹	1,285,898	-	-	(1,285,898)	-
Total	5,574,115	-	-	(1,249,148)	4,324,967

- Shareholdings are reversed to show a zero balance at 30 June 2012 on resignation as a director or KMP.
- Other changes include opening balances on becoming a KMP for the first time during the year.

2011	Balance 1 July 2010	Granted as Remuneration	Received on Exercise of Options	Net Other Changes During the Year	Balance 30 June 2011
Directors of Independence Group NL					
O Aamodt	30,000	-	-	2,000	32,000
C Bonwick	3,003,506	-	-	(953,506)	2,050,000
K Ross	345,000	-	-	-	345,000
J Christie	545,000	-	-	(45,000)	500,000
R Marston	1,315,000	-	-	(583)	1,314,417
P Bilbe	-	-	-	-	-
Other key management personnel					
B Hartmann	37,500	-	-	2,500	40,000
D Totterdell	4,500	-	-	300	4,800
S Steinkrug	-	-	-	2,000	2,000
G Comb	-	-	-	1,285,898	1,285,898
Total	5,280,506	-	-	293,609	5,574,115

Share rights in the Company

2012	Balance 1 July 2011	Granted during the year	Vested as shares	Lapsed during the year	Balance 30 June 2012	Fair value at grant date \$
Directors of Independence Group NL						
C Bonwick	-	159,235	-	-	159,235	341,559
Other key management personnel						
T Bourke	-	49,570	-	-	49,570	84,020
B Hartmann	-	58,318	-	-	58,318	98,848
R Jacobs	-	51,028	-	-	51,028	86,492
T Kennedy	-	45,358	-	-	45,358	76,880
S Steinkrug	-	54,106	-	-	54,106	91,708
D Totterdell	-	42,928	-	-	42,928	72,763
Total	-	460,543	-	-	460,543	852,270

The share rights relate to the KMP's participation in the Independence Group NL Employee Performance Rights Plan (PRP). The share rights represent the maximum number of share rights that the KMP's are entitled to. They are subject to certain performance conditions being met, including the ongoing employment of the KMP at the end of the vesting period.

The PRP permits non-executive directors to be Eligible Employees and therefore to participate in the plan. It is not currently intended that non-executive directors will be issued with performance rights under the PRP and any such issue would be subject to all necessary shareholder approvals.

There were no share rights held by Directors or key management personnel in the previous financial year.

Options over shares in the Company

There were no options over ordinary shares held by any Director or key management personnel of the Group during the current financial year. The numbers of options over ordinary shares in the Company held during the previous financial year by each Director of Independence Group NL and other key management personnel of the Group, including their personally related entities are set out below.

2011	Held at 1 July 2010	Granted as remuneration	Options exercised	Net change other*	Held at 30 June 2011	Vested and not exercisable at 30 June 2011	Vested and exercisable at at 30 June 2011
Directors of Independence Group NL							
C Bonwick	500,000	-	-	(500,000)	-	-	-
K Ross	250,000	-	-	(250,000)	-	-	-
Total	750,000	-	-	(750,000)	-	-	-

* Unlisted options were sold off-market.

(c) Other transactions and balances with key management personnel and their related parties

Consulting fees have been paid to Virtual Genius Pty Ltd, a company to which director Mr Bonwick is related. The fees were based on normal commercial terms and conditions. Fees paid to Virtual Genius Pty Ltd during the year totalled \$12,000 (2011: \$14,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

33. SHARE-BASED PAYMENT PLANS

(a) Employee Performance Rights Plan

The Independence Group NL Employee Performance Rights Plan (PRP) was approved by shareholders at the Annual General Meeting of the Company in November 2011. Under the PRP, participants are granted share rights which will only vest if certain performance conditions are met and the employees are still employed by the Group at the end of the vesting period. Participation in the PRP 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 following table illustrates the number (No.) and weighted average fair value (WAFV) of, and movements in, share rights during the year:

	Number of share rights	Weighted average fair value \$
2012		
Outstanding at the beginning of the year	-	-
Rights issued during the year	1,608,837	2.21
Rights vested during the year	-	-
	1,608,837	2.21

There were no share rights issued in 2011.

The fair value of the share rights granted under the PRP is estimated at the grant date using a trinomial tree which has been adopted by the Boyle and Law (1994) node alignment algorithm to improve accuracy.

The following table lists the inputs to the models used.

Grant date	Performance hurdle	Dividend yield %	Expected stock volatility %	Expected index volatility %	Risk free rate %	Expected life Years	Weighted average share price at grant date \$	Probability ROE exceeding target %
23/11/2011	TSR	1.07	54	30	3.09	2.6	4.69	-
23/11/2011	ROE	-	-	-	-	-	-	<50
13/03/2012	TSR	0.72	46	29	3.56	0.3	4.17	-
13/03/2012	TSR	0.72	46	29	3.56	2.3	4.17	-
13/03/2012	ROE	-	-	-	-	-	-	<50

The share-based payments expense included in profit or loss for the year totalled \$862,000 (2011: \$17,000).

Executive directors and other executives

Vesting of the performance rights to executive directors and other executives of the Company is subject to a combination of Independence Group NL's shareholder return and return on equity. The performance rights will vest if over the three year measurement period the following performance hurdles are achieved:

Shareholder return

The vesting of 75% of the performance rights at the end of the third year will be based on measuring the actual shareholder return over the three year period compared with the change in the S&P ASX 300 Metals and Mining Index (Index) over that same period. The portion of performance rights (75% of the total) that will vest based on the comparative shareholder return will be:

Shareholder return	Level of vesting
100% of the index	25%
Between 100% and 115% of the Index	Pro-rata straight line percentage
115% of the Index or greater	100%

Return on equity

The vesting of the remaining 25% of the performance rights at the end of the third year will be based on the average return on equity over the three year period compared with the average target return on equity as set by the Board for the same period.

Return on equity (ROE) for each year will be calculated in accordance with the following formula:

$$\text{ROE} = \text{Net profit after tax} / \text{Total shareholders' equity}$$

The target ROE will be set each year by the Board as part of the budget approval process for the following year. The target ROE for the financial year ending 30 June 2012 is 10%. The portion of performance rights (25% of the total) that will vest based on the comparative return on equity will be:

Actual ROE	Level of vesting
100% of average target ROE	25%
Between 100% and 115% of average target ROE	Pro-rata straight line percentage
115% of average target ROE or greater	100%

Other Employees

Vesting of the performance rights to all other employees of the Company is subject to a combination of the personal performance of the individual and Independence Group NL's shareholder return over the measurement period, being one year. The performance rights will vest one year after measurement period on the following basis:

Personal performance

The vesting of between 60-90% of the performance rights at the end of the second year will be based on the personal performance of the individual employee. The personal performance of the participant will be determined solely at the discretion of the Company and is determined as a result of the annual performance review of each participant. The portion of performance rights (ranging between 60-90% of the total) that will vest based on the personal performance return will be:

Performance standard criteria	Level of vesting
Unsatisfactory work performance	0%
Improvement in performance standard required	0%
Developing contributor	40%
Consistent contributor	60%
Solid contributor	80%
Outstanding contributor	100%

Shareholder Return

The vesting of between 10-40% of the performance rights at the end of the second year will be based on measuring the actual shareholder return at the end of the measurement period of one year compared with the change in the S&P ASX 300 Metals and Mining Index (Index) over that same period. The portion of performance rights (ranging between 60-90% of the total) that will vest based on the comparative shareholder return will be:

Shareholder return	Level of vesting
100% of the index	25%
Between 100% and 115% of the Index	Pro-rata straight line percentage
115% of the Index or greater	100%

The performance rights will not be subject to any further escrow restrictions once they have vested to the employees.

Share trading policy

The trading of shares issued to participants under the Company's PRP is subject to, and conditional upon, compliance with the Company's employee share trading policy.

Non-executive Directors

The Independence Group NL Employee Performance Rights Plan (PRP) permits non-executive directors to be Eligible Employees and therefore to participate in the plan. It is not currently intended that non-executive directors will be issued with performance rights under the PRP and any such issue would be subject to all necessary shareholder approvals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

33. SHARE-BASED PAYMENT PLANS (continued)

(b) Employee Option Plan

Prior to the introduction of the PRP, the LTI benefits were delivered in the form of options to acquire ordinary shares in the Company. However, no options were granted or issued during the financial year (nor during the previous financial year) nor have any been granted since the end of the financial year. It is not intended to grant or issue further options under the previous arrangements.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the previous financial year:

	2011 No.	2011 WAEP
Outstanding at the beginning of the year	1,087,500	\$4.52
Granted during the year	-	-
Forfeited during the year	-	-
Exercised during the year*	(1,087,500)	\$4.52
Expired during the year	-	-
Outstanding at the end of the year	-	-
Exercisable at the end of the year	-	-

* Includes 750,000 unlisted options sold off-market.

There were no share options outstanding at 30 June 2012 or 30 June 2011.

(c) Weighted average remaining contractual life

There were no options outstanding as at 30 June 2012 or 30 June 2011.

(d) Range of exercise prices

There were no options outstanding as at 30 June 2012 or 30 June 2011.

(e) Weighted average fair value

The weighted average fair value of options granted during the year was \$nil as no options were granted (2011: \$nil).

(f) Other

No options have been issued during the years ended 30 June 2012 or 30 June 2011.

34. COMMITMENTS AND CONTINGENCIES

	Consolidated	
	2012 \$'000	2011 \$'000
(a) Commitments		
<i>(i) Leasing commitments</i>		
<i>Operating lease commitments</i>		
Future minimum rentals payable under non-cancellable operating leases at 30 June are as follows:		
Within one year	1,479	1,411
After one year but no more than five years	6,892	6,458
After more than five years	4,084	5,429
Total minimum lease payments	12,455	13,298
<i>Finance lease and hire purchase commitments</i>		
Future minimum lease payments under lease contracts with the present value of net minimum lease payments are as follows:		
Within one year	12,827	6,550
After one year but not more than five years	7,396	6,007
Total minimum lease payments	20,223	12,557
Less amount representing finance charges	(1,604)	(1,074)
Present value of minimum lease payments	18,619	11,483
Current borrowings (note 27)	11,685	5,789
Non-current borrowings (note 27)	6,934	5,694
Total included in borrowings	18,619	11,483

(ii) Property, plant and equipment commitments

The Group had contractual obligations to purchase plant and equipment for \$1,312,000 (2011: \$2,463,000) at the reporting date.

(iii) Exploration commitments

The Company has various contractual obligations relating to exploration tenements. In order to maintain rights of tenure to exploration tenements, the Group will be required to spend \$10,954,000 (2011: \$13,860,000) within the next financial year.

(b) Contingencies

The Group has guarantees outstanding at 30 June 2012 totalling \$13,911,000 (2011: \$5,562,000) which have been granted in favour of various third parties. The guarantees primarily relate to environmental and rehabilitation bonds at the various mine sites.

A native title claim has been made with respect to tenements within the Stockman Project area, a tenement which is owned by a wholly-owned subsidiary of the Company. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event whether or not and to what extent the claims may affect the project.

35. EVENTS AFTER THE REPORTING DATE

On 29 August 2012, the Company announced a fully franked final dividend of 1 cent per share to be paid on 28 September 2012.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years, other than as stated elsewhere in the accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

36. AUDITOR'S REMUNERATION

	Consolidated	
	2012 \$'000	2011 \$'000
The auditor of Independence Group NL is BDO		
<i>Amounts received or due and receivable by BDO for:</i>		
• An audit or review of the financial report of the entity and any other entity in the consolidated Group	189,500	165,500
• Taxation services in relation to the entity and any other entity in the consolidated Group	20,900	7,500
• Other services in relation to the entity and any other entity in the consolidated Group	45,319	6,735
	255,719	179,735

37. BUSINESS COMBINATION

(a) Summary of acquisition

There were no acquisitions during the year ended 30 June 2012. During April 2011, the parent entity acquired 96.32% of the issued share capital of Jabiru Metals Limited (Jabiru) and declared the offer free from all conditions. By 9 June 2011, Independence Group NL had acquired 100% of the issued share capital of Jabiru. Jabiru was a listed public Australian company involved in the production and exploration of copper, zinc and silver.

Details of the purchase consideration, net assets acquired and goodwill were as follows:

	2012 \$'000	2011 \$'000
Acquisition date fair value of consideration transferred (refer to (b) and (c) below):		
Cash paid	-	48,579
Equity instruments issued	-	409,357
Fair value of initial equity interest	-	848
	-	458,784

The assets and liabilities recognised as a result of the acquisition were as follows:

	Fair value 2011 \$'000
Current assets	
Cash and cash equivalents	5,531
Trade and other receivables	13,705
Inventories	25,574
Financial assets	2,426
Derivative financial instruments	7,715
Total current assets	54,951
Non-current assets	
Receivables	471
Property, plant and equipment	66,045
Mine properties	104,069
Exploration and evaluation expenditure	199,718
Deferred tax assets	63,020
Total non-current assets	433,323
Total assets	488,274

Current liabilities

Trade and other payables	19,160
Borrowings	4,415
Derivative financial instruments	7,787
Provisions	314
Financial liabilities at fair value through profit or loss	13,235

Total current liabilities	44,911
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Non-current liabilities

Borrowings	3,288
Provisions	8,845
Financial liabilities at fair value through profit or loss	9,520
Deferred tax liabilities	36,441

Total non-current liabilities	58,094
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Total liabilities	103,005
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Net identifiable assets acquired

Non-controlling interest in identifiable net assets acquired	385,269
Add : Goodwill	(17,550)
	91,065

Net assets acquired	458,784
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Acquisition accounting for the acquisition of Jabiru Metals Limited (Jabiru) was finalised during the year ended 30 June 2012. The above assets and liabilities recognised as a result of the acquisition of Jabiru reflect the finalised accounting values. Finalisation of the acquisition accounting resulted in fair value adjustments of \$25,697,000 increase in net assets and a corresponding decrease in goodwill. The adjustments to assets and liabilities on finalisation of acquisition accounting are summarised as follows:

	Provisional accounting 30 June 2011 \$'000	Consolidated Fair value adjustments 30 June 2011 \$'000	Final accounting 30 June 2011 \$'000
Exploration and evaluation expenditure	186,618	13,100	199,718
Deferred tax assets	51,329	11,691	63,020
Deferred tax liabilities	(37,347)	906	(36,441)
Goodwill	116,762	(25,697)	91,065
	317,362	-	317,362

(b) Purchase consideration – cash outflow

	Consolidated 2012 \$'000	2011 \$'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	-	48,579
Less: cash balances acquired with subsidiary	-	(5,531)
Outflow of cash – investing activities	-	43,048

Acquisition-related costs

There were no acquisition-related costs during the year ended 30 June 2012. An amount of \$21,133,000 relating to acquisition-related costs is included in "costs associated with the acquisition of subsidiary" in the statement of comprehensive income in the previous financial year.

(c) Additional acquisition of Jabiru Metals Limited

On 9 June 2011, Independence Group NL acquired the remaining 3.68% of voting shares of Jabiru Metals Limited by way of compulsory acquisition of outstanding shares. The difference between the carrying value of the non-controlling interest as at that date of \$17,550,000 and the fair value of the equity shares issued on that date of \$14,408,000 is recognised directly in equity attributable to the parent. Accordingly, a credit to acquisition reserve of \$3,142,000 is reflected in the statement of changes in equity for 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38. INTERESTS IN JOINT VENTURES

The Company has a jointly controlled operation: The Tropicana Gold Project with AngloGold Ashanti Australia Ltd in which the Company has a 30% participating interest. The Board of Directors of both Companies approved the development of the Project in November 2010. The Group's interests in the assets employed in the joint venture are included in the statement of financial position, in accordance with the accounting policy described in note 2(b)(iii), under the following classifications:

	2012 \$'000	2011 \$'000
Current assets		
Cash and cash equivalents	7,729	6,225
Trade and other receivables	24,747	403
Total current assets	32,476	6,628
Non-current assets		
Property, plant and equipment	468	313
Mine properties	61,524	7,863
Exploration and evaluation expenditure	47,932	37,025
Total non-current assets	109,924	45,201
Total assets	142,400	51,829
Current liabilities		
Trade and other payables	15,607	3,981
Total current liabilities	15,607	3,981
Non-current liabilities		
Provisions	1,915	-
Deferred tax liabilities	11,969	10,852
Total non-current liabilities	13,884	10,852
Total liabilities	29,491	14,833
Net assets	112,909	36,996

Expenses of \$1,736,000 (2011: \$815,000) in relation to the Company's interest in the joint venture have been included in the statement of comprehensive income.

Forecast capital commitments of \$191,165,000 (2011: \$224,926,000) comprising approved expenditure for the development of the Tropicana Gold Mine are yet to be incurred at 30 June 2012.

39. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Independence Group NL, at 30 June. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2012 \$'000	2011 \$'000
Statement of financial position		
Current assets	148,865	144,231
Non-current assets	515,911	614,486
Total assets	664,776	758,717
Current liabilities	15,086	15,167
Non-current liabilities	7,565	85,915
Total liabilities	22,651	101,082
Net assets	642,125	657,635
Shareholders' equity		
Contributed equity	734,007	617,860
Reserves	8,061	7,199
(Accumulated losses) retained earnings	(99,943)	32,576
Total equity	642,125	657,635
(Loss) profit for the year	(121,774)	6,446
Other comprehensive income for the year	-	-
Total comprehensive (loss) income for the year	(121,774)	6,446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

40. DEED OF CROSS GUARANTEE

Independence Group NL, Lightning Nickel Pty Ltd and Jabiru Metals Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Independence Group NL, they also represent the 'extended closed group'.

Set out below is a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2012 and 30 June 2011 of the closed group consisting of Independence Group NL, Lightning Nickel Pty Ltd and Jabiru Metals Limited.

	2012 \$'000	2011 \$'000
<i>Statement of comprehensive income</i>		
Revenue from continuing operations	216,549	163,568
Other income	-	463
Mining and development costs	(74,763)	(39,716)
Employee benefits expense	(51,636)	(28,788)
Share-based payments expense	(862)	(17)
Fair value adjustment of listed investments	(3,490)	760
Depreciation and amortisation expense	(39,095)	(27,314)
Rehabilitation and restoration borrowing costs	(375)	(109)
Exploration costs expensed	(2,813)	(2,386)
Royalty expense	(8,028)	(7,586)
Ore tolling expense	(11,234)	(8,309)
Shipping and wharfage expense	(11,178)	(1,053)
Net gains on fair value financial liabilities	1,356	2,509
Borrowing and finance costs	(1,413)	(309)
Costs associated with acquisition of subsidiary	-	(21,133)
Impairment of exploration and evaluation expenditure	(59,603)	(5,577)
Impairment of goodwill and other assets	(255,929)	-
Other expenses	(7,739)	(8,269)
(Loss) profit from continuing operations before income tax	(310,253)	16,734
Income tax benefit (expense)	83,203	(8,785)
Loss (profit) after income tax	(227,050)	7,949
<i>Other comprehensive income</i>		
Effective portion of changes in fair value of cash flow hedges, net of tax	7,273	11,065
Other comprehensive income, net of tax	7,273	11,065
Total comprehensive (loss) income	(219,777)	19,014
<i>Summary of movements in consolidated retained earnings</i>		
Retained earnings at the beginning of the financial year	185,953	186,969
Profit for the year	(227,050)	7,949
Dividends paid	(10,745)	(8,965)
(Accumulated losses) retained earnings at the end of the financial year	(51,842)	185,953

(b) Consolidated statement of financial position

Set out below is a consolidated statement of financial position as at 30 June of the closed group consisting of Independence Group NL, Lightning Nickel Pty Ltd and Jabiru Metals Limited.

	2012 \$'000	2011 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	184,949	221,775
Trade and other receivables	33,845	27,078
Current tax receivable	-	7,541
Inventories	16,786	20,908
Financial assets at fair value through profit or loss	3,346	6,849
Derivative financial instruments	23,950	16,997
Total current assets	262,876	301,148
Non-current assets		
Receivables	39,799	21,281
Property, plant and equipment	33,731	84,249
Exploration and evaluation expenditure	20,452	61,100
Mine properties	61,750	155,827
Deferred tax assets	152,674	111,420
Investments in controlled entities	139,276	139,276
Investments in joint ventures	127,430	48,638
Intangible assets	454	91,818
Derivative financial instruments	-	8,243
Total non-current assets	575,566	721,852
TOTAL ASSETS	838,442	1,023,000
LIABILITIES		
Current liabilities		
Trade and other payables	42,939	54,328
Borrowings	11,685	5,789
Derivative financial instruments	570	15,014
Provisions	1,260	705
Financial liabilities at fair value through profit or loss	4,818	11,303
Total current liabilities	61,272	87,139
Non-current liabilities		
Borrowings	6,934	5,694
Provisions	12,834	11,402
Deferred tax liabilities	54,619	96,744
Financial liabilities at fair value through profit or loss	-	5,725
Total non-current liabilities	74,387	119,565
TOTAL LIABILITIES	135,659	206,704
NET ASSETS	702,783	816,296
EQUITY		
Contributed equity	734,007	617,860
Reserves	20,618	12,483
(Accumulated losses) retained earnings	(51,842)	185,953
TOTAL EQUITY	702,783	816,296

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 14 to 69 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 39 will be able to meet any obligation or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 40.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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

On behalf of the Board



C M Bonwick
Managing Director

Perth, Western Australia

Dated this 26th day of September 2012

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Report

We have audited the accompanying financial report of Independence Group NL, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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, which has been given to the directors of Independence Group NL, would be the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Independence Group NL is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Independence Group NL for the year ended 30 June 2012 complies with Section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd



Glyn O'Brien
Director

Perth, Western Australia
Dated this 26th day of September 2012

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 companies only. This information is current as at 14 September 2012.

1. Shareholding

a. Distribution of shareholders

Holding range	Fully paid ordinary shares
1 – 1,000	2,604
1,001 – 5,000	2,905
5,001 – 10,000	758
10,001 – 100,000	753
100,001 – and over	79
	7,099

b. The number of shareholders holding less than a marketable parcel of fully paid ordinary shares is 209. The number of shareholders holding less than an economic parcel is 1,294.

c. The Company has received the following notices of substantial shareholding:

- JCP Investment Partners Ltd (13.2%)
- National Australian Bank (7.9%)
- Commonwealth Bank (5.1%)
- Fidelity [FMR LLC and FIL] (5.0%)

d. Voting rights

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

Fully paid ordinary shares – one vote per share held.

2. The name of the Company Secretary is Mr Terry (KT) Bourke. Mr Bourke holds a Bachelor of Laws degree and a Bachelor of Commerce (Accounting, Finance & Systems) degree from the University of New South Wales. He is a Solicitor of the Supreme Court of New South Wales with a right of practice in Western Australia.
3. The address of the principal registered office in Australia is Suite 4, Level 5, South Shore Centre, 85 South Perth Esplanade, South Perth, Western Australia, telephone (08) 9238 8300.
4. The register of securities is held at Security Transfer Registrars Pty Ltd, 770 Canning Highway, Applecross, Western Australia.
5. No on-market share buy-back is current.
6. Stock Exchange Listing
- Quoted securities
- Quotation has been granted for 232,882,535 ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange (ASX).
7. Unquoted securities
- There are currently no securities outstanding which have been issued by the Company and not quoted on the ASX.
8. 20 Largest Holders of Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1 JP Morgan Nominees	52,579,642	22.58
2 National Nominees Ltd	45,668,239	19.61
3 HSBC Custody Nominees Australia Ltd	42,752,163	18.36
4 Citicorp Nominees Pty Ltd	13,012,512	5.59
5 BNP Paribas Nominees Pty Ltd	8,595,764	3.69
6 RBC Investor Services	6,888,559	2.96
7 Metals X Limited	6,558,571	2.81
8 Forty Traders Limited	3,060,636	1.31
9 AMP Life Limited	1,482,625	0.64
10 Suncorp Customer Services Pty Ltd	1,090,324	0.47
11 Bonwick Superannuation Pty Ltd	1,053,750	0.45
12 Virtual Genius Pty Ltd	1,003,750	0.43
13 QIC Ltd	950,714	0.41
14 Nattai Pty Ltd	923,500	0.40
15 Yarandi Investments Pty Ltd	800,492	0.34
16 Mrs Karen Schiller	718,400	0.31
17 Perth Select Seafoods Pty Ltd	700,000	0.30
18 The Australian National University	680,000	0.29
19 Mr Jeffrey Schiller	650,000	0.28
20 Drexwill Pty Ltd	555,000	0.24
	189,724,641	81.47