INDEPENDENCE GROUP NL
ABN 46 092 786 304

30th August 2004

Australian Stock Exchange Limited
Company Announcements NO. OF PAGES : 11
Level 10, 20 Bond Street
SYDNEY NSW 2000

INDEPENDENCE GROUP PRELIMINARY FINAL RESULTS

Independence Group NL is pleased to announce an **audited net profit after tax of $17.3 million** for the year ending 30 June 2004.

This is an increase of **1,240%** over the previous financial year.

The after tax net profit equates to **earnings per share of 24.48 cents** (17.72 cents fully diluted).

These results reflect the first full year of operations at the Long Nickel Mine.

Revenue for the year was $67.2 million from 6,843 tonnes of nickel produced at a grade of 4.1%.

Production has commenced at the Victor South deposit and 2004/5 production is forecast to increase to 220,000 tonnes at 4.0% nickel to produce 8,900 nickel tonnes.

Independence congratulates the mining team for achieving the target of **zero lost time injuries** for the 2003/4 year. The team is also responsible for the **low cost of production** at the mine – cash costs were A$1.98 per pound of nickel produced with a total cost including depreciation, amortisation and rehabilitation of **A$2.49** per pound (cost per creditable pound A$3.32 and **A$4.18** respectively).

Work is being completed on the upgrading of the mine's ore reserves and resources; the company anticipates the new reserve figure will be released by the end of September.

The company has not yet proposed a dividend. The payment of dividends will be considered when the new reserve figure is known.

The annual general meeting of the company will be held at 10:00am on 24th November 2004 at the Rydges Hotel in Perth.

CHRISTOPHER BONWICK
Managing Director

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INDEPENDENCE GROUP NL and controlled entities
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PRELIMINARY FINAL REPORT INFORMATION – 1 JULY 2003 TO 30 JUNE 2004

LODGED WITH THE ASX UNDER LISTING RULE 4.3A.

CONTENTS **PAGE**

INDEPENDENCE GROUP NL and controlled entities
ABN 46 092 786 304

PRELIMINARY FINAL REPORT INFORMATION – 1 JULY 2003 TO 30 JUNE 2004 LODGED WITH THE ASX UNDER LISTING RULE 4.3A

Key Information – Results for Announcement to the Market

	$'000	% Increase/(Decrease) over Previous Corresponding Period
Revenue from ordinary activities	**67,223**	**272%**
Profit from ordinary activities after tax attributable to members	**17,335**	**1,240%**
Net profit attributable to members	**17,335**	**1,240%**

The previous corresponding period is the year ended 30 June 2003.

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

- **2004 results incorporate 12 full months of production at the Long Nickel Mine (2003 figures reflect the fact that mining did not commence until late in October 2002).**
- **Spot nickel prices during the 2004 period were significantly higher than in 2003.**
- **2004 monthly nickel production was significantly higher than in 2003 due to:-**
  - **the normalisation of operations resulting in efficiency in the production process;**
  - **mining of high-grade nickel ore from outside reserves; and**
  - **more nickel ore mined from within reserve blocks, as well as at a higher grade than that anticipated in the reserve model.**
- **Nickel production for 2004 was 6,843 tonnes (2003: 3,007 tonnes).**

The Company has not paid a dividend and to the date of this report has not proposed to pay a dividend.

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

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

	2004	2003
Basic earnings per share (cents)	**24.48**	**2.13**
Diluted earnings per share (cents)	**17.72**	**1.80**
Net tangible assets per share (cents)	**24.69**	**1.86**

Review of Operations

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

	Segment revenues		Segment results	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Nickel mining	**66,737**	24,553	**29,223**	2,740
Exploration activities	**20**	-	**(4,431)**	(1,342)
Intersegment eliminations	**-**	-	**-**	-
Unallocated revenue	**466**	96	**-**	-
	67,223	24,649	**24,792**	1,398
Unallocated revenue less unallocated expenses			**-**	-
Profit from ordinary activities before income tax expense			**24,792**	1,383
Income tax expense			**(7,457)**	15
Profit from ordinary activities after income tax expense			**17,335**	1,398
Loss from extraordinary item after income tax			**-**	-
Net profit attributable to members of Independence Group NL			**17,335**	1,398

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

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

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

Profit from ordinary activities before related income tax expense increased by $23.4 million (1,793%) to $24.8 million.

Income tax expense has increased by $7.5 million due to the increase in profit from operations.

Rounding of amounts to nearest thousand dollars

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

Consolidated statement of financial performance
for the year ended 30 June 2004

	Notes	2004 $'000	2003 $'000
Revenue from operating activities		**66,737**	24,553
Revenue from outside operating activities		**486**	96
Revenue from ordinary activities	**3**	**67,223**	24,649
Mining and development costs		**(12,735)**	(8,123)
Royalty expense		**(1,722)**	(773)
Ore tolling costs		**(5,251)**	(2,658)
Employee benefits expense		**(9,699)**	(4,513)
Depreciation and amortisation expenses		**(7,541)**	(3,757)
Borrowing costs expense		**(1,018)**	(1,042)
Exploration costs written off		**(1,974)**	(1,286)
Provision for mine rehabilitation		**(207)**	-
Other expenses from ordinary activities		**(2,284)**	(1,114)
Profit from ordinary activities before income tax expense		**24,792**	1,383
Income tax benefit/(expense)	**4**	**(7,457)**	15
Profit from ordinary activities after income tax expense		**17,335**	1,398
Profit from extraordinary item after related income tax expense		**-**	-
Net profit		**17,335**	1,398
Total revenues, expenses and valuation adjustments attributable to members of Independence Group NL and recognised directly in equity		**-**	-
Total changes in equity other than those resulting from transactions with owners as owners		**17,335**	1,398
			Cents
Basic earnings per share		**24.48**	2.13
Diluted earnings per share		**17.72**	1.80

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

Consolidated statement of financial position

for the year ended 30 June 2004

	Notes	30 June 2004 $'000	30 June 2003 $'000
Current assets			
Cash assets		**18,370**	4,041
Receivables		**13,677**	5,691
Inventories		**11**	41
Other	**5**	**9,910**	14,460
Total current assets		**41,968**	24,233
Non-current assets			
Receivables		**514**	1,001
Investments accounted for using the equity method		**564**	561
Property, plant and equipment		**8,252**	8,608
Exploration and development expenditure		**14,480**	11,590
Deferred tax assets		**657**	3,535
Mine acquisition and pre-production costs		**2,062**	2,733
Other	**5**	**-**	7
Total non-current assets		**26,529**	28,035
Total assets		**68,497**	52,268
Current liabilities			
Payables		**6,490**	4,577
Interest bearing liabilities		**7,371**	4,738
Current tax liabilities		**4,414**	-
Other	**6**	**10,202**	14,697
Total current liabilities		**28,477**	24,012
Non-current liabilities			
Payables		**-**	-
Interest bearing liabilities		**5,289**	12,460
Deferred tax liabilities		**3,686**	3,520
Other	**6**	**207**	-
Total non-current liabilities		**9,182**	15,980
Total liabilities		**37,659**	39,992
Net assets		**30,838**	12,276
Equity			
Parent entity interest			
Contributed equity		**13,777**	12,549
Reserves		**-**	-
Retained profits		**17,061**	(273)
Total equity		**30,838**	12,276

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

Consolidated statement of cash flows
for the year ended 30 June 2004

	Note	2004 '000	2003 $'000
Cash flows from operating activities			
Receipts from customers		**58,954**	19,139
Payments to suppliers and employees		**(29,947)**	(12,969)
		29,007	6,170
Interest received		**456**	94
Borrowing costs		**(1,394)**	(1,042)
GST refunded from ATO		**-**	74
Net cash inflow from operating activities	**9**	**28,069**	5,296
Cash flows from investing activities			
Payment relating to acquisitions and investments		**(3)**	(5)
Payments for property, plant and equipment		**(3,319)**	(5,177)
Receipts/(Payments) for investments - bonds		**490**	(980)
Payments relating to mine development		**(2,232)**	(3,660)
Payments for exploration and evaluation expenditure		**(5,394)**	(12,329)
Proceeds – sale of exploration properties		**20**	-
Proceeds – sale of property, plant and equipment		**8**	-
Net cash (outflow) from investing activities		**(10,430)**	(22,151)
Cash flows from financing activities			
Proceeds from issues of shares		**1,228**	7,009
Payment of costs relating to issue of shares		**-**	(274)
Proceeds from borrowings		**11,335**	13,000
Repayment of borrowings		**(15,873)**	(1,249)
Net cash inflow from financing activities		**(3,310)**	18,486
Net increase in cash held		**14,329**	1,631
Cash at the beginning of the reporting period		**4,041**	2,410
Effects of exchange rate changes on cash		**-**	-
Cash at the end of the reporting period		**18,370**	4,041

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

Note 1. Basis of preparation of preliminary final financial report

These preliminary consolidated financial statements for the year ended 30 June 2004 have been prepared in accordance with Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

Note 2. Segment information

All operations occur in one geographical segment being Australia.

Primary reporting – business segments

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

Year 2003	Nickel mining $'000	Exploration activities $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Revenue from external customers	24,553	-	-	24,553
Other revenue	-	-	96	96
Revenue from ordinary activities	24,553	-	96	24,649
Consolidated profit after income tax	2,740	(1,342)	-	1,398
Segment assets	31,712	20,636	-	52,348
Segment liabilities	39,287	705	-	39,992
Depreciation and amortisation expense	2,440	1,287	30	3,757
Other non-cash expenses	230	928	-	1,158

Note 3. Revenue

	2004 $'000	2003 $'000
Revenue from operating activities		
Sale of goods	**66,737**	24,553
Revenue from outside operating activities		
Interest	**459**	95
Other revenue	**27**	1
	486	96
Revenue from ordinary activities	**67,223**	24,649

Note 4. Income tax

	2004	2003
	$'000	$'000
Income tax expense		

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

	2004	2003
Profit from ordinary activities before income tax expense	**24,792**	1,383
Income tax (expense)/benefit calculated at 30%	**(7,437)**	(415)
Tax effect of permanent differences		
Non-allowable items	**(4)**	(69)
Recognition of timing differences not previously brought to account	**-**	(302)
Income tax (under)/over-provided in prior years	**(16)**	-
Tax losses carried forward not previously brought to account	**-**	801
Income tax (expense)/benefit	**(7,457)**	15
Aggregate income tax (expense)/benefit comprises:		
Current taxation provision	**(4,414)**	-
Deferred income tax provision	**(3,686)**	(3,520)
Future income tax benefit	**657**	3,535
Over-provision in prior years	**(14)**	-
Income tax (expense)/benefit	**(7,457)**	15

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

Note 5. Other assets

	2004	2003
	$'000	$'000
Current		
Prepayments	**148**	-
Foreign exchange gain – note 8	**9,762**	14,460
	9,910	14,460
Non Current		
Prepayments	**-**	7
	-	7

Note 6. Other liabilities

	2004	2003
Current liabilities	**$'000**	$'000
Foreign exchange gain – note 8	**9,762**	14,460
Provision for employee entitlements	**440**	237
	10,202	14,697
Non current liabilities		
Provision for rehabilitation	**207**	-
	207	

Note 7. Contributed equity

	2004	2003	2004	2003
	No. of Shares	No. of Shares		
Issues of ordinary shares during the year	**'000**	'000	**$'000**	$'000
Exercise of options issued under the				
Independence Group NL Employee Option Plan	**250**	-	**87**	-
Contributing shares paid up at 10 cents each	**2,645**	45	**267**	4
Listed options converted at 20 cents each	**4,187**	5	**860**	1
Issue ordinary shares at 34 cents each	**-**	20,600	**-**	7,004
Unlisted $1.33 options partly paid	**375**	-	**39**	-
Issued and paid up capital				
Fully paid ordinary shares	**75,237**	68,156	**13,485**	12,271
Partly paid contributing shares	**7,310**	9,955	**7**	10
Fully paid listed options	**24,553**	28,739	**246**	268
Partly paid unlisted options	**375**	-	**39**	-
			13,777	12,549

Note 8. Foreign exchange and commodity contracts

	2004	2003
	$'000	$'000
Forward foreign exchange contracts	**9,762**	5,229
Futures commodity contracts	**(46,450)**	(8,040)
	(36,688)	(2,811)

The net fair value of forward foreign exchange contracts of $9,762,244 is recognised in the Consolidated Statement of Financial Position at 30 June 2004. The net fair value of commodity contracts at 30 June 2004 has not been recognised in the Consolidated Statement of Financial Position. The net fair value of forward foreign exchange contracts and commodity contracts are based on the exchange rate and commodity prices prevailing at 30 June 2004 and have not been discounted.

Note 9. Impact of adopting AASB equivalents to IASB standards

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

Set out below are the key areas where accounting policies will change and may have an impact on the financial report of the Company. At this stage the Company has not been able to reliably quantify the impacts on the financial report.

Classification of Financial Instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables (measured at amortised cost), held to maturity (measured at amortised cost), held for trading (measured at fair value with fair value changes charged to net profit or loss), available for sale (measured at fair value with fair value changes taken to equity) and non-trading liabilities (measured at amortised cost). This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on the statement of financial position. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been completed.

Impairment of Assets

Under the Australian equivalent to IAS 36 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the economic entity's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is possible that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. It is not expected that there will be any material impact as a result of the adoption of this standard.

Share Based Payments

Under AASB 2 *Share based Payments*, the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. The standard will apply to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impraticable as the details of future equity based remuneration plans are unknown.

Income Taxes

Under the Australian equivalent to IAS *12 Income Taxes*, the Company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. It is not expected that there will be any material impact as a result of the adoption of this standard.

Exploration Expenditure

There is not yet an approved IFRS equivalent to AASB 1022 *Accounting for Extractive Industries*. If a standard is introduced which changes the current standard, this may have an as yet unknown effect on the Company's financial position.