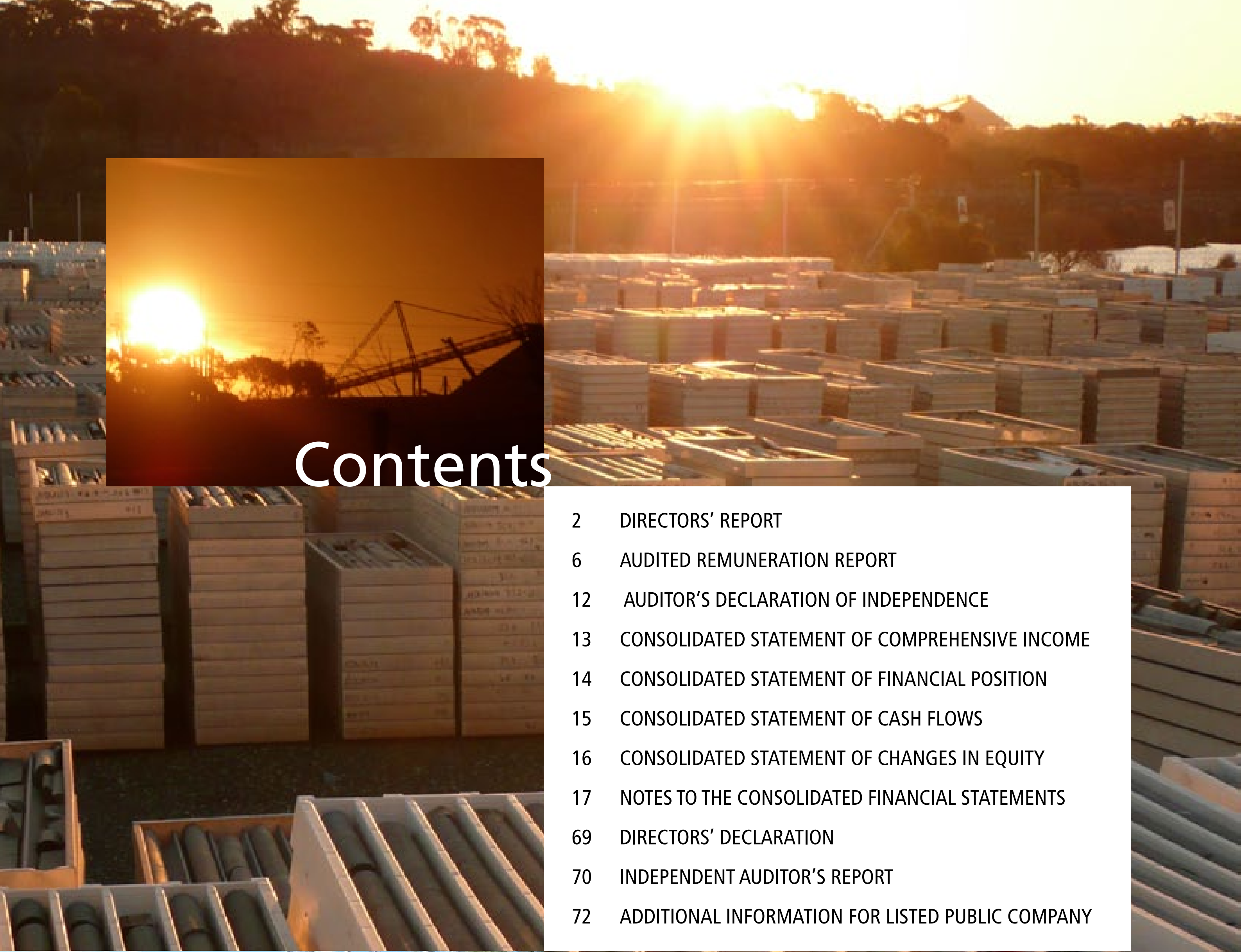
Financial Report

for the Year Ended 30 June 2011

INDEPENDENCE GROUP NL

ABN 46 092 786 304



Contents

New Address

New Address and telephone numbers
from Monday 3 October 2011

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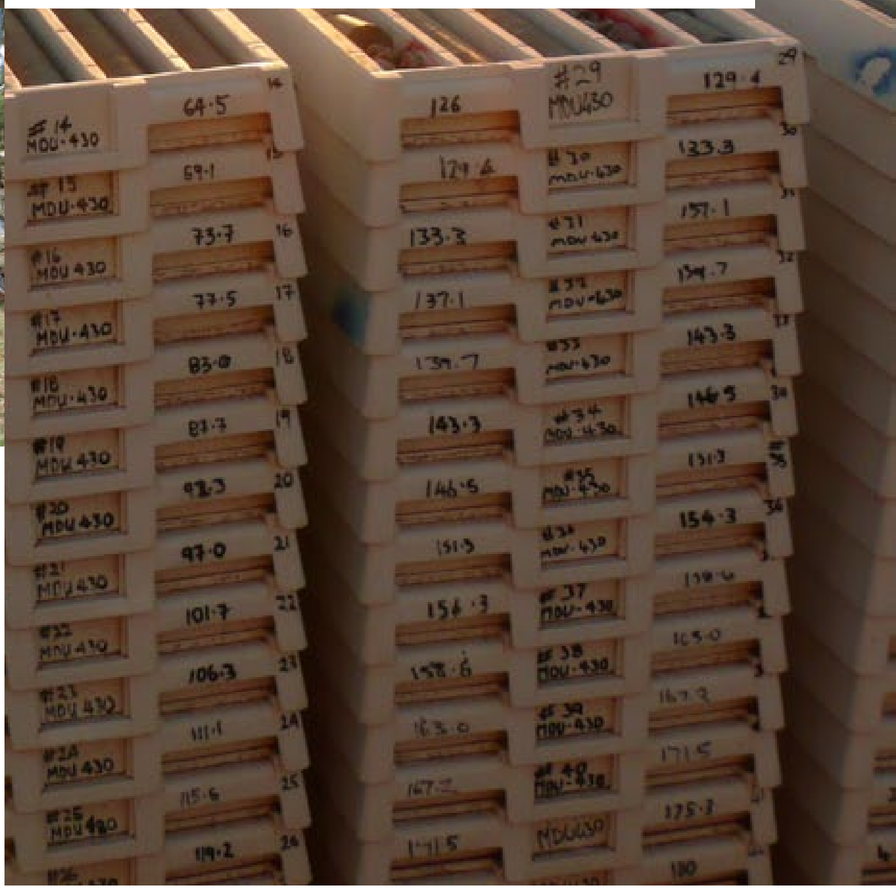

Directors' Report

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 2011.

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)

Kelly Ross (Non-executive Director)

Peter Bilbe (Non-executive Chairman)

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 mining. During the year, the Company acquired a 100% interest in Jabiru Metals Limited (Jabiru), pursuant to the terms of an off-market takeover offer. Jabiru is primarily involved in the exploration and mining of copper and zinc ores.

Dividends – Independence Group NL

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

	2011 $'000	2010 $'000
Final ordinary dividend for the year ended 30 June 2010 of 3 cents (2009: 3 cents) per fully paid share paid on 30 September 2010	**3,414**	3,409
Interim ordinary dividend for the year ended 30 June 2011 of 4 cents (2010: 2 cents) per fully paid share paid on 18 March 2011	**5,551**	2,274
	8,965	5,683

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 $6,087 thousand (3 cents per fully paid share) to be paid on 30 September 2011 out of retained earnings at 30 June 2011.

Review of operations

The Long Nickel operation continued to perform well during the financial year, with nickel production of 9,753 Ni tonnes; substantially above the previous year's production of 8,615 Ni tonnes, at a cost of A$4.48 per creditable pound of nickel.

During April 2011, Independence Group NL acquired 96.32% of the issued share capital of Jabiru Metals Limited (Jabiru) with 100% ownership achieved by the end of the financial year. Jabiru was a listed public Australian company involved in the production and exploration of copper, zinc and silver. As a result of the acquisition, Independence Group now controls a near continuous block of tenements covering approximately 50kms of strike of the prospective felsic-mafic contact hosting the Teutonic Bore, Jaguar and Bentley volcanogenic massive sulphide (VMS) deposits in Western Australia. In addition, through the takeover the Group also acquired the Stockman Project which contains the Wilga and Currawong VMS deposits in eastern Victoria. A Definitive Feasibility Study has commenced and is nearing completion.

During the financial year the Jaguar operations achieved 8,468 tonnes of copper and 14,642 tonnes of Zinc metals in concentrates at an average Zinc C1 cost of negative $0.31 per metal tonne produced (net of copper and silver credits).

The Tropicana Joint Venturers agreed in November 2010 to approve project development of the Tropicana Gold mine. The joint venture comprises approximately 16,000km^2 of highly prospective tenure covering a strike length of approximately 400km within an emerging new gold province. Road access construction has commenced. Plant construction activities are scheduled for June 2012.

Significant changes in the state of affairs

Other than the acquisition of Jabiru Metals Limited described above, there have been no other significant changes in the state of affairs of the Group during the year.

Significant events after the reporting date

On 31 August 2011, the Company announced that a final dividend for the year ended 30 June 2011 would be paid on 30 September 2011. The dividend is 3 cents 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 mining of nickel ore from the Long Nickel Mine and production of copper and zinc concentrate from the Jaguar/Bentley Operation. Construction of the Tropicana Gold Project will continue until 2013. Stockman Project feasibility 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 Directors have assessed that there are no current reporting requirements, but have elected to report on a voluntary basis.

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.

Information on Directors

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

Peter Bilbe	**Chairman (Non-executive) from 29 July 2011. Age 61**
Qualifications	BE (Mining) (Hons), MAusIMM
Tenure	Board member since 31 March 2009 and Chairman since 29 July 2011.
Special Responsibilities	Mr Bilbe is on the Remuneration Committee.
Other Directorships	Mr Bilbe is currently a director of Northern Iron Limited, Norseman Gold plc and Sihayo Gold Limited. He was also a director of Aurox Resources Limited until August 2010 and RMA Energy Limited until April 2010.
Oscar Aamodt	**Chairman (Non-executive) until 29 July 2011. Age 65**
Qualifications	FCIS
Tenure	Board member since 2005 and Chairman from 31 March 2009 until his resignation on 29 July 2011.
Special Responsibilities	Mr Aamodt was on the Hedging, Remuneration and Audit Committees until his resignation on 29 July 2011.
Other Directorships	Mr Aamodt was a director of Energy Metals Limited from July 2005 to December 2009.

Directors' Report

Christopher Bonwick	**Managing Director (Executive) Age 52**
Qualifications	BSc (Hons), MAusIMM
Tenure	Managing Director and Board member since 2000.
Special Responsibilities	Mr Bonwick is the executive in charge of operations and corporate development.
Other Directorships	None.
Kelly Ross	**Director (Non-executive) Age 49**
Qualifications	CPA, Grad.Dip.CSP
Tenure	Board member since 2002.
Special Responsibilities	Mrs Ross was the Company Secretary during the financial year, is on the Hedging Committee and has been on the Audit Committee since 23 August 2011. Mrs Ross resigned as Company Secretary on 23 August 2011.
Other Directorships	Mrs Ross is currently a director of Musgrave Minerals Limited.
John Christie	**Director (Non-executive) Age 73**
Qualifications	CPA, ACIS
Tenure	Board member since 2002.
Special Responsibilities	Mr Christie is on the Remuneration, Audit and Hedging Committees.
Other Directorships	None.
Rod Marston	**Director (Non-executive) Age 68**
Qualifications	BSc (Hons), PhD, MAIG, MSEG
Tenure	Board member since 2001. Chairman from 20 August 2003 to 31 March 2009.
Special Responsibilities	Dr Marston is on the Remuneration and Audit Committees.
Other Directorships	Dr Marston has been a director of Kasbah Resources Limited since November 2006.

Company Secretary qualifications

The Company Secretary during the financial year was Kelly Ross, who is a qualified accountant holding a Bachelor of Business (Accounting) and has the designation CPA from the Australian Society of Certified Practicing Accountants. Mrs Ross is a Chartered Secretary with over 25 years experience in accounting and administration in the mining industry and has been the Company Secretary of Independence Group NL since 2001. Mrs Ross resigned as Company Secretary in August 2011.

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.

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 2011, and the numbers of meetings attended by each Director were:

	Directors' Meetings		Remuneration Committee		Audit Committee		Hedging Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Oscar Aamodt	20	20	6	6	3	3	4	4
Christopher Bonwick	20	19	-	-	-	-	-	-
Kelly Ross	20	19	-	-	-	-	4	4
John Christie	20	19	6	6	3	3	4	4
Rod Marston	20	20	6	6	3	3	-	-
Peter Bilbe	20	19	6	6	-	-	-	-

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	2,050,000	-
Rod Marston	1,314,417	-
Kelly Ross	345,000	-
John Christie	500,000	-
Peter Bilbe	-	-
Total	4,209,417	-

Details of the terms and conditions for these securities are disclosed in note 31 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 performance, relative industry remuneration levels and, where appropriate, the Committee seeks independent advice to ensure appropriate remuneration levels are in place. 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 $300,000 (2010: $300,000) was being utilised at 30 June 2011.

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 2011.

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

Bonuses and 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 reward schemes is to both reinforce the short and long term goals of the Company and to provide a common interest between management and shareholders. The following summarises the performance of the Company over the last 5 financial years:

	2007	2008	2009	2010	2011*
Income ($millions)	226.5	149.1	101.1	116.7	162.5
Net profit after income tax ($millions)	105.3	51.5	16.1	28.7	5.5
Share price at year end ($/share)	6.95	5.10	4.63	4.72	5.63
Dividends paid (cents/share)	13	17	7	5	7

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

Performance based remuneration

Short term incentives (STI)

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

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

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

The peer group of ASX listed companies against which the Company's TSR performance was measured for the 2010 TSR were Western Areas NL (WSA), Straits Resources Limited (SRL), Mincor Resources NL (MCR), Panoramic Resources Limited (PAN), Avoca Resources Limited (AVO) and Minara Resources Limited (MRE). The companies in the peer group are reviewed each year to take account of any new Australian-based and ASX listed entities producing the same or similar products as those produced by the Company and to eliminate any entity that ceased to produce the same or similar products or was merged into a multi-commodity entity having no ongoing similarity to the Company.

The maximum STI payable each financial year is set by the Remuneration Committee on an individual basis after taking into account employment market conditions and the amount determined to be paid as the variable component. The maximum amount of the STI is to be paid where the Company's TSR for the relevant period is greater than the average of the peer group. Where the Company's TSR for the relevant period is less than 50% of the peer group average no STI is payable. Between 50% and 100% a proportional amount is paid. The KPI's selected are designed to ensure a maximum return on assets and to reflect the effect of the executives' performance on shareholder wealth.

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

STI payments are normally delivered as a yearly cash bonus payable in the subsequent financial year. During the year executive directors received 85% of the total allocated bonus for the 2010 year.

TSR – Independence Group NL versus Peer Group

TSR was adopted as a key performance indicator for executive remuneration in 2004. The following table shows the TSR of the Company relative to its peer group. The 2010 TSR measure was used for evaluating executives' performance in the 2010 financial year, with the bonus being paid during the 2011 financial year.

TSR	2006	2007	2008	2009	2010
Company	1.4	4.4	(24)	(8)	3.67
Peer Group	0.7	3.9	23	(54)	2.07

Managing Director's KPI's

The Remuneration Committee introduced a performance criteria in 2010 to incentivise the Managing Director, based on achievement versus target KPI's. The target KPI's are a combination of mine production, safety, mine development and mine costs. There is also a component which measures performance relating to exploration success, corporate growth and measurement against the Company's risk management system. The total available to be paid as an STI for this category for 2011 is $200,000 (2010: $100,000).

Long term incentives (LTI) – Executives

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

The LTI benefits were previously 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. Instead, the Board is presently determining the details of a replacement LTI plan for senior managers and the Managing Director in the form of an Employee Performance Rights Plan. The proposed arrangements for the Managing Director will be submitted for approval to the Company's 2011 Annual General Meeting of Members.

Long term incentives (LTI) – Non-executive Directors

The proposed Employee Performance Rights Plan will, on its terms, permit 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 proposed Employee Performance Rights Plan and any such issue would be subject to all necessary shareholder approvals.

Audited Remuneration Report

Key Management Personnel

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

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

- Brett Hartmann – Group Operations Manager. Mr Hartmann was appointed to the position Group Operations Manager on 1 January 2011. Previous to the appointment, Mr Hartmann was General Manager – Long Nickel and employed by the Company's subsidiary Lightning Nickel Pty Ltd.
- 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 as at 30 June 2011, but resigned with effect on 31 August 2011.

Also included in remuneration disclosures are Tim Moran and Gary Davison who are classified as relevant group executives as they are non-executive directors of subsidiary companies.

Employment contracts

Terms and conditions of employment contracts of key management personnel in effect at 30 June 2011 were as follows:

i) 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 employment contracts as at 30 June 2011 provided for base remuneration of $630,000 (2010: $600,000) for Christopher Bonwick and $350,000 (2010: $350,000) for Kelly Ross. As noted elsewhere, Mrs Ross resigned her executive position with effect on 23 August 2011.

ii) Executive directors are entitled to receive cash and/or equity based bonuses in addition to the remuneration stated in their employment contracts.

iii) 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 employment contract as at 30 June 2011 provided for total remuneration of $326,086 (2010: $275,000 plus motor vehicle expenses and superannuation contributions). Mr Hartmann may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board.

iv) The executive Scott Steinkrug is employed under a contract which does not have a defined term and can be terminated by Mr Steinkrug after provision of one month's notice, in which case only accrued leave and other accrued remuneration is payable. The employment contract as at 30 June 2011 provided for base remuneration of $250,000 (2010: $nil). Mr Steinkrug may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board.

v) 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 base remuneration of $275,000 (2010: $250,000). Mr Totterdell may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board.

vi) 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 base remuneration of $738,166 (2010: $nil). Mr Comb's contract provided that he would also receive performance based bonuses should the Remuneration Committee so recommend and should those bonuses be approved by the Board. As noted above, Mr Comb resigned with effect on 31 August 2011.

At risk compensation

The following at risk compensation was paid to key management personnel during the year.

Name	At Risk – LTI Equity Compensation (%)	At Risk – STI Performance Based Bonuses (%)	Fixed Remuneration (%)
2011			
Oscar Aamodt	-	-	100.0
Christopher Bonwick	-	20.6	79.4
Kelly Ross	-	14.4	85.6
John Christie	-	-	100.0
Rod Marston	-	-	100.0
Peter Bilbe	-	-	100.0
Brett Hartmann	-	42.5	57.5
Scott Steinkrug	-	28.2	71.8
Drew Totterdell	-	38.2	61.8
Tim Moran	-	-	100.0
Gary Davison	-	-	100.0
Gary Comb	-	-	-
2010			
Oscar Aamodt	-	-	100.0
Christopher Bonwick	-	15.1	84.9
Kelly Ross	-	10.7	89.3
John Christie	-	-	100.0
Rod Marston	-	-	100.0
Peter Bilbe	-	-	100.0
Brett Hartmann	-	22.7	77.3
Drew Totterdell	-	36.6	63.4
Tim Moran	-	-	100.0
Gary Davison	-	-	100.0

Non-performance based 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.

Remuneration options: Granted and vested during the year

There were no options granted to directors or executives during the year (2010: nil).

A total of 750 thousand options, which were granted in previous years, were exercised or sold off-market by directors or executives during the year (2010: nil) at a weighted average price of $4.44.

Compensation paid for the financial year

	Short-term Benefits				Post-employment Benefits	Share-based Payments	
	Cash Salary & Fees $	Cash Bonus $	Non-monetary Benefits $	Other $	Superannuation $	Options $	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	566,514	160,000	-	-	50,986	-	777,500
Kelly Ross	321,337	60,000	9,338	-	25,204	-	415,879
Other key management personnel							
Brett Hartmann	289,325	231,200	-	-	23,882	-	544,407
Scott Steinkrug (i)	81,746	35,068	-	-	7,357	-	124,171
Drew Totterdell	242,737	163,600	-	-	22,350	-	428,687
Gary Comb (ii)	147,633	-	-	14,763	22,145	-	184,541
Tim Moran	40,000	-	-	-	-	-	40,000
Gary Davison	40,000	-	-	-	-	-	40,000
Total remuneration	2,005,836	649,868	9,338	14,763	175,380	-	2,855,185
2010							
Non-executive Directors							
Oscar Aamodt	61,927	-	-	-	28,073	-	90,000
John Christie	32,110	-	-	-	37,890	-	70,000
Rod Marston	32,110	-	-	-	37,890	-	70,000
Peter Bilbe	64,220	-	-	-	5,780	-	70,000
Executive Directors							
Christopher Bonwick	516,055	100,000	-	-	47,821	-	663,876
Kelly Ross	290,463	40,000	18,182	-	25,644	-	374,289
Other key management personnel							
Brett Hartmann	275,000	90,873	2,557	-	32,677	-	401,107
Drew Totterdell (iii)	76,453	50,688	-	-	11,423	-	138,564
Tim Moran	40,000	-	-	-	-	-	40,000
Gary Davison	40,000	-	-	-	-	-	40,000
Total remuneration	1,428,338	281,561	20,739	-	227,198	-	1,957,836

(i) Mr Steinkrug commenced employment with the Company on 22 February 2011.

(ii) Mr Comb commenced employment with the Company on 4 April 2011, following the acquisition of Jabiru Metals Limited.

(iii) Mr Totterdell commenced employment with the Company on 1 March 2010.

End of Audited Remuneration Report

Share options

Unissued shares

At the reporting date, there were no unissued ordinary shares under options. Refer to the remuneration report section of this report and note 32 to the financial report for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares issued on the exercise of options

The following ordinary shares of Independence Group NL were issued during the year ended 30 June 2011 on the exercise of options granted under the Independence Group NL Employee Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
31 October 2006	$4.85	112,500
13 November 2006	$4.64	225,000
27 November 2006	$4.44	750,000
		1,087,500

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:

Other services	$14,235

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 12. 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 28th day of September 2011

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 2011, 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.

BDO

Glyn O'Brien

Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd

28 September 2011
Perth, Western Australia

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Revenue from continuing operations	6	**162,497**	116,670
Other income	7	**481**	30
Mining and development costs		**(39,716)**	(18,856)
Employee benefits expense		**(28,788)**	(19,966)
Share-based payments expense		**(17)**	(87)
Fair value adjustment of listed investments		**760**	(554)
Depreciation and amortisation expense		**(27,368)**	(11,400)
Rehabilitation and restoration borrowing costs		**(109)**	(28)
Exploration costs expensed		**(2,416)**	(2,291)
Capitalised exploration costs impaired		**(7,186)**	(4,977)
Royalty expense		**(7,586)**	(4,920)
Ore tolling expense		**(8,309)**	(7,512)
Net gains on fair value financial liabilities		**2,509**	-
Costs associated with acquisition of subsidiary		**(21,133)**	-
Other expenses		**(9,334)**	(5,696)
Profit from continuing operations before income tax		**14,285**	40,413
Income tax expense	9	**(8,752)**	(11,673)
Profit after income tax		**5,533**	28,740
Other comprehensive income			
Effective portion of changes in cash flow hedges, net of tax		**11,065**	(4,273)
Other comprehensive income for the period, net of tax		**11,065**	(4,273)
Total comprehensive income for the period		**16,598**	24,467
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share	11	**3.89**	25.28
Diluted earnings per share	11	**3.88**	25.27

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 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**228,001**	143,957
Trade and other receivables	13	**28,762**	21,565
Current tax receivable	9	**7,541**	-
Inventories	14	**20,908**	257
Financial assets	15	**6,849**	621
Derivative financial instruments	24	**16,997**	2,832
Total current assets		**309,058**	169,232
Non-current assets			
Receivables	16	**1,016**	6
Property, plant and equipment	17	**86,255**	5,070
Mine properties	18	**163,690**	37,790
Exploration and evaluation expenditure	19	**256,233**	49,302
Deferred tax assets	9	**99,729**	7,267
Investments accounted for using the equity method		**-**	117
Intangible assets	20	**117,515**	1,006
Derivative financial instruments	24	**8,243**	3,756
Total non-current assets		**732,681**	104,314
TOTAL ASSETS		**1,041,739**	273,546
LIABILITIES			
Current liabilities			
Trade and other payables	21	**60,994**	17,107
Borrowings	26	**5,789**	-
Derivative financial instruments	24	**15,014**	13,922
Current tax liabilities	9	**-**	2,299
Provisions	22	**705**	-
Financial liabilities at fair value through profit or loss	25	**11,303**	-
Total current liabilities		**93,805**	33,328
Non-current liabilities			
Borrowings	26	**5,694**	-
Derivative financial instruments	24	**-**	3,696
Provisions	23	**11,402**	1,407
Deferred tax liabilities	9	**111,233**	20,335
Financial liabilities at fair value through profit or loss	25	**5,725**	-
Total non-current liabilities		**134,054**	25,438
TOTAL LIABILITIES		**227,859**	58,766
NET ASSETS		**813,880**	214,780
EQUITY			
Contributed equity	27	**617,860**	29,552
Reserves	28	**12,483**	(1,741)
Retained earnings	28	**183,537**	186,969
TOTAL EQUITY		**813,880**	214,780

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 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**174,418**	118,512
Payments to suppliers and employees (inclusive of GST)		**(109,673)**	(53,116)
		64,745	65,396
Interest and other costs of finance paid		**(268)**	-
Exploration expenditure		**(2,416)**	(2,291)
Income tax received		**541**	3,347
Income taxes paid		**(9,805)**	(7,565)
Receipts from other operating activities		**19**	30
Net cash flows from operating activities	29	**52,816**	58,917
Cash flows from investing activities			
Interest received		**9,897**	5,075
Payments for purchase of listed and unlisted investments		**(2,774)**	(93)
Proceeds from sale of property, plant and equipment		**581**	-
Payments for property, plant and equipment		**(19,819)**	(1,987)
Payments for development expenditure		**(33,785)**	(16,110)
Payments for exploration and evaluation expenditure		**(32,023)**	(23,874)
Payment for acquisition of subsidiary, net of cash acquired		**(43,048)**	-
Net cash flows used in investing activities		**(120,971)**	(36,989)
Cash flows from financing activities			
Proceeds from issue of shares		**169,266**	474
Repayment of finance lease liabilities		**(1,222)**	-
Payment of dividends		**(8,965)**	(5,683)
Share issue costs		**(6,880)**	-
Net cash flows from (used in) financing activities		**152,199**	(5,209)
Net increase in cash held		**84,044**	16,719
Cash and cash equivalents at the beginning of the financial year		**143,957**	127,238
Cash and cash equivalents at the end of the financial year	12	**228,001**	143,957

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 2011

	Issued Capital $'000	Retained Earnings $'000	Hedging Reserve $'000	Share-Based Payments Reserve $'000	Acquisition Reserve $'000	Total Equity $'000
Consolidated						
At 1 July 2009	29,078	163,912	(1,508)	3,954	-	195,436
Profit for the year	-	28,740	-	-	-	28,740
Other comprehensive income	-	-	(4,273)	-	-	(4,273)
Total comprehensive income for the year	-	28,740	(4,273)	-	-	24,467
Transactions with owners in their capacity as owners						
Shares issued	474	-	-	-	-	474
Dividends paid	-	(5,683)	-	-	-	(5,683)
Share-based payments	-	-	-	86	-	86
At 30 June 2010	29,552	186,969	(5,781)	4,040	-	214,780
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	-	-	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

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

1. CORPORATE INFORMATION

The financial report of Independence Group NL (the Company) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 28 September 2011.

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 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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

The adoption of these standards did not have any impact on the current period or any prior period and is 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 2011 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 37.

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

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.

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Inventories

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.

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 Company 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:

Major depreciation periods are:

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.

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

(n) Mine properties and restoration costs

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.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Mine properties and restoration costs (continued)

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.

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) Lease

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 26). 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 one plan in place to provide these benefits, the Employee Share Option Plan (ESOP), 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 by an external valuation consultant using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Independence Group NL (market conditions).

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue

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:

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.

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 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB reference	AASB Standard affected	Nature of change	Application date for the Group
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9. These include the requirements relating to: Classification and measurement of financial liabilities; and Derecognition requirements for financial assets and liabilities. However, 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. Due to the recent release of these amendments and that adoption is only mandatory for the 31 December 2013 year end, the entity has not yet made an assessment of the impact of these amendments. At 30 June 2011, the entity has $17,028 thousand of financial liabilities measured at fair value through profit or loss. The amendments require that any changes in fair value attributable to the liability's credit risk be recognised in other comprehensive income instead of profit or loss. The amendments apply retrospectively from date of initial application, which will be 1 July 2012. Therefore, at this stage, it is not yet possible for the entity to quantify the impact on the financial statements of first time application of these amendments.	1 July 2013
IFRS 11 (issued May 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). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed). 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. This standard is not expected to have any impact on the current treatment of joint arrangements.	1 July 2013
IFRS 13 (issued May 2011)	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. IFRS 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. Due to the recent release of this standard, the entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by IFRS 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013.	1 July 2013
Amendments to IAS 1 (issued June 2011)	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 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. When this standard is first adopted for the year ended 30 June 2014, there will be no impact on amounts recognised for transactions and balances for 30 June 2014 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).	1 July 2013

AASB reference	AASB Standard affected	Nature of change	Application date for the Group
IAS 19 (issued June 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) 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 within 12 months of end of reporting period will in future be discounted when calculating leave liability. The entity currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave at any time. The amendments to IAS 19 require that such liabilities be calculated on the basis of when the leave is expected to be taken, i.e. expected settlement. When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012. Leave liabilities for any employees with significant balances of leave outstanding who are not expected to take their leave within 12 months will be discounted, which may 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 2010-6 (issued November 2010)	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	Additional disclosures required for entities that transfer financial assets, including information about the nature of financial assets involved and the risks associated with them. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.	1 July 2011
IFRS 12 (issued May 2011)	Disclosures of Interests in Other Entities	Combines existing disclosures from IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities. 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
IFRS 13 (issued May 2011)	Fair Value Measurement	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, e.g. land and buildings, investment properties etc. When this standard is adopted for the first time on 1 July 2012, additional disclosures will be required about fair values.	1 July 2013
AASB 7	Financial Instruments : Disclosures	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held. There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.	1 July 2011
AASB 1054 (issued May 2011)	Australian Additional Disclosures	Moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of the Trans-Tasman Convergence Project. Removes the requirement to disclose each class of capital commitment and expenditure commitment contracted for at the end of the reporting period (other than commitments for the supply of inventories). When this Standard is adopted for the first time for the year ended 30 June 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054.6.	1 July 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) Parent entity financial information

The financial information for the parent entity, Independence Group NL, disclosed in note 38 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 Company's sales revenues for nickel, copper and zinc are denominated in US dollars and the majority of operating costs are denominated in Australian dollars, the Company's cash flow is significantly exposed to movements in the A$:US$ exchange rate. The Company mitigates this risk through the use of derivative instruments, including but not limited to forward contracts and the purchase of Australian dollar call options.

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

	Consolidated	
	2011 $'000	2010 $'000
Financial assets		
Cash and cash equivalents	**13,613**	5,064
Trade and other receivables	**19,078**	19,115
Derivative financial instruments	**25,240**	6,588
	57,931	30,767
Financial liabilities		
Trade and other payables	**3,218**	-
Derivative financial instruments	**15,014**	17,618
Financial liabilities at fair value through profit or loss	**17,028**	-
	35,260	17,618
Net financial assets	**22,671**	13,149

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 2011 A$:US$ exchange rate of $1.0739 (2010: $0.8509). The remainder of the cash balance of $214,388 thousand (2010: $138,893 thousand) 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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table summarises the Group's sensitivity of financial instruments held at 30 June 2011 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% (2010: 1.5%) in the foreign rate in both directions based on the exposure period of the trade receivables, a 5% (2010: 5%) variation for derivative contracts (2010: 5%), a 5% (2010: nil) variation for financial liabilities and a 5% (2010: 1.5%) variation for USD cash balances in both directions.

	Profit After Tax Consolidated 2011 $'000	2010 $'000
Sensitivity of financial instruments to foreign currency movements		
Financial assets		
Cash and cash equivalents		
Increase 5.0% (2010: 1.5%)	**(454)**	(146)
Decrease 5.0% (2010: 1.5%)	**502**	146
Trade receivables		
Increase 1.5% (2010: 1.5%)	**(214)**	(205)
Decrease 1.5% (2010: 1.5%)	**220**	205
Derivative financial instruments		
Increase 5.0% (2010: 5.0%)	**3,640**	4,320
Decrease 5.0% (2010: 5.0%)	**(4,583)**	(4,774)
	(889)	(454)
Financial liabilities		
Trade and other payables		
Increase 1.5% (2010: nil)	**33**	-
Decrease 1.5% (2010: nil)	**(34)**	-
Derivative financial instruments		
Increase 5.0% (2010: nil)	**501**	-
Decrease 5.0% (2010: nil)	**(553)**	-
Financial liabilities at fair value through profit or loss		
Increase 5.0% (2010: nil)	**627**	-
Decrease 5.0% (2010: nil)	**(568)**	-
	6	-
Net sensitivity to foreign currency movements	**(883)**	(454)

Commodity price risk

The Company's sales revenues are generated from the sale of nickel, copper, zinc and silver. Accordingly, the Company'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 reserve tonnes. All of the hedges qualify as "highly probable" forecast transactions for hedge accounting purposes. It is the Board's policy to hedge the equivalent of anticipated nickel production operating costs, whilst remaining exposed to spot nickel prices for the remainder of the Group's nickel sales revenue.

Copper and zinc

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

The markets for nickel, copper, zinc and silver are freely traded and can be relatively volatile. As a relatively small producer, the Company has no ability to influence commodity prices. The Company 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 2011 $'000	Consolidated 2010 $'000
Financial instruments exposed to commodity price movements		
Financial assets		
Trade and other receivables	**19,046**	7,680
Derivative financial instruments – commodity hedging contracts	**150**	-
	19,196	7,680
Financial liabilities		
Derivative financial instruments – commodity hedging contracts	**15,014**	11,031
Financial liabilities at fair value through profit or loss	**17,028**	-
	32,042	11,031
Net exposure	**(12,846)**	(3,351)

The following table summarises the sensitivity of financial instruments held at 30 June 2011 to movements in the nickel price, with all other variables held constant. Trade receivables valuation uses a sensitivity analysis of 1.5% (2010: 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% (2010: 20%) sensitivity rate is used to value derivative contracts held and is based on reasonable assessment of the possible changes.

	Profit After Tax Consolidated 2011 $'000	Profit After Tax Consolidated 2010 $'000
Sensitivity of financial instruments to nickel price movements		
Financial assets		
Trade receivables		
Increase 1.5% (2010: 1.5%)	**215**	142
Decrease 1.5% (2010: 1.5%)	**(215)**	(142)
Derivative financial instruments – commodity hedging contracts		
Increase 20% (2010: 20%)	**-**	(8,648)
Decrease 20% (2010: 20%)	**-**	8,648
	-	-
Financial liabilities		
Derivative financial instruments – commodity hedging contracts		
Increase 20% (2010: 20%)	**(13,772)**	(9,501)
Decrease 20% (2010: 20%)	**13,772**	9,501
	-	-
Net sensitivity to nickel price movements	**-**	-

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table summarises the sensitivity of financial instruments held at 30 June 2011 to movements in the copper price, with all other variables held constant. Trade receivables valuation uses a sensitivity analysis of 1.5% (2010: 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% (2010: nil) sensitivity rate is used to value derivative contracts held and is based on reasonable assessment of the possible changes.

	Profit After Tax Consolidated 2011 $'000	Profit After Tax Consolidated 2010 $'000
Sensitivity of financial instruments to copper price movements		
Financial assets		
Trade receivables		
Increase 1.5% (2010: 1.5%)	**8**	8
Decrease 1.5% (2010: 1.5%)	**(8)**	(8)
Derivative financial instruments – commodity hedging contracts		
Increase 20% (2010: nil)	**(614)**	-
Decrease 20% (2010: nil)	**614**	-
	-	-
Financial liabilities		
Derivative financial instruments – commodity hedging contracts		
Increase 20% (2010: nil)	**(1,045)**	-
Decrease 20% (2010: nil)	**1,045**	-
	-	-
Net sensitivity to copper price movements	**-**	-

The following table summarises the sensitivity of financial instruments held at 30 June 2011 to movements in the zinc price, with all other variables held constant. Trade receivables valuation uses a sensitivity analysis of 2.4% (2010: nil) 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% (2010: nil) sensitivity rate is used to value derivative contracts held and is based on reasonable assessment of the possible changes.

	Profit After Tax Consolidated 2011 $'000	Profit After Tax Consolidated 2010 $'000
Sensitivity of financial instruments to zinc price movements		
Financial assets		
Trade receivables		
Increase 2.4% (2010: nil)	**74**	-
Decrease 2.4% (2010: nil)	**(74)**	-
	-	-
Financial liabilities		
Derivative financial instruments – commodity hedging contracts		
Increase 20% (2010: nil)	**(1,702)**	-
Decrease 20% (2010: nil)	**1,702**	-
	-	-
Net sensitivity to zinc price movements	**-**	-

The following table summarises the sensitivity of financial instruments held at 30 June 2011 to movements in the silver price, with all other variables held constant. A 20% (2010: nil) sensitivity rate is used to value financial liabilities and is based on reasonable assessment of the possible changes.

	Profit After Tax Consolidated 2011 $'000	2010 $'000
Sensitivity of financial instruments to silver price movements		
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Increase 20% (2010: nil)	**(2,392)**	-
Decrease 20% (2010: nil)	**2,392**	-
	-	-
Net sensitivity to silver price movements	**-**	-

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% (2010: 45%). At reporting date, if the equity prices had been higher or lower, net profit for the year would have increased or decreased by $2,157 thousand (2010: $196 thousand).

Interest rate risk

The Company'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 Company had the following exposure to interest rate risk on financial instruments:

	Consolidated 2011 $'000	2010 $'000
Financial assets		
Cash and cash equivalents	**72,001**	27,957
Net exposure	**72,001**	27,957

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 $360 thousand (2010: increase/decrease by $195 thousand). 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 2011 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 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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 Company.

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.

Other

In respect of financial assets and derivative financial instruments, the Company'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 Company 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 2011 $'000	Consolidated 2010 $'000
Financial assets		
Cash and cash equivalents	**228,001**	143,957
Trade and other receivables	**28,086**	21,033
Other receivables - non-current	**476**	6
Financial assets	**6,849**	621
Derivative financial instruments	**25,240**	6,588
Total exposure	**288,652**	172,205

On analysis of trade and other receivables, none are past due or impaired for either 30 June 2011 or 2010.

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.

Consolidated	Total $'000	Payables Maturity Analysis Between < 6 months $'000	6-12 months $'000	1-5 years $'000	Carrying Value A$ $'000
2011					
Trade and other payables	**57,631**	**57,631**	**-**	**-**	**57,631**
Lease liabilities	**11,483**	**4,110**	**1,679**	**5,694**	**11,483**
	69,114	**61,741**	**1,679**	**5,694**	**69,114**
2010					
Trade and other payables	15,631	15,631	-	-	15,631
	15,631	15,631	-	-	15,631

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	Total $'000	Payables Maturity Analysis Between < 6 months $'000	6-12 months $'000	1-5 years $'000	Carrying Value A$ $'000
2011					
Net settled					
Commodity hedging contracts	**15,014**	**8,625**	**6,389**	**-**	**15,014**
Financial liabilities at fair value through profit or loss	**17,028**	**6,348**	**4,955**	**5,725**	**17,028**
	32,042	**14,973**	**11,344**	**5,725**	**32,042**
2010					
Net settled					
Commodity hedging contracts	13,922	1,147	2,309	10,466	13,922
	13,922	1,147	2,309	10,466	13,922

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:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),

(b) 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

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2011 and 30 June 2010.

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**

At 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Derivative instruments				
Commodity hedging contracts	-	3,756	-	3,756
Foreign exchange hedging contracts	-	2,832	-	2,832
Listed investments	621	-	-	621
	621	6,588	-	7,209
Financial liabilities				
Derivative instruments				
Commodity hedging contracts	-	13,922	-	13,922
Foreign exchange hedging contracts	-	3,696	-	3,696
	-	17,618	-	17,618

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. The carrying value of exploration, mine properties and other plant and equipment as at 30 June 2011 is $506,178 thousand (2010: $92,162 thousand).

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 income statement 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.

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 Mine which is disclosed under the Nickel mining segment, Jaguar/Bentley mine which is disclosed under the Copper and zinc mining segment, the Tropicana project, and "other exploration" which is disclosed under Regional exploration activities.

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

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

5. OPERATING SEGMENTS (continued)

The Tropicana Project represents the Group's 30% joint venture interest in the Tropicana Gold Project. 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 on the joint venture tenure has been approved. It is therefore allocated its own segment.

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

The following segment information was provided to the Board.

	Continuing Operations				
	Nickel Mining $'000	Copper and Zinc Mining $'000	Tropicana Project $'000	Regional Exploration $'000	Total $'000
Year ended 30 June 2011					
Revenue					
Sales to external customers	134,464	16,416	-	-	150,880
Other revenue	5,259	38	-	-	5,297
Total segment revenue	139,723	16,454	-	-	156,177
Segment net operating profit (loss) before income tax	63,250	(14,375)	(815)	(7,568)	40,492
Segment assets	206,538	320,343	51,830	195,633	774,344
Segment liabilities	31,156	39,371	3,980	32,849	107,356
Acquisition of property, plant and equipment	14,108	6,230	372	245	20,955
Depreciation and amortisation expense	17,693	8,839	59	-	26,591
Other non-cash expenses	1,041	993	-	5,152	7,186
Year ended 30 June 2010					
Revenue					
Sales to external customers	111,109	-	-	-	111,109
Other revenue	4,628	-	-	-	4,628
Total segment revenue	115,737	-	-	-	115,737
Segment net operating profit (loss) before income tax	53,083	-	-	(6,248)	46,835
Segment assets	189,521	-	33,919	16,389	239,829
Segment liabilities	34,305	-	-	-	34,305
Acquisition of property, plant and equipment	979	-	-	-	979
Depreciation and amortisation expense	10,771	-	-	275	11,046
Other non-cash expenses	1,194	-	-	3,957	5,151

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

	Consolidated	
	2011 $'000	2010 $'000
Total segment revenue	**156,177**	115,737
Other revenue from continuing operations	**6,320**	933
Total revenue	**162,497**	116,670

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

Reconciliation of segment net profit (loss) before tax to net profit before tax

	Consolidated	
	2011 $'000	2010 $'000
Segment net profit before tax	**40,492**	46,835
Interest revenue on corporate cash balances	**6,320**	932
Unrealised gains (losses) on financial assets	**760**	(554)
Share-based payments expense	**(17)**	(87)
Other corporate costs	**(14,646)**	(6,713)
Costs associated with the acquisition of subsidiary	**(21,133)**	-
Net gains on silver hedge financing	**2,509**	-
Total net profit before tax per the statement of comprehensive income	**14,285**	40,413

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

Reportable segment assets are reconciled to total assets as follows:

	Consolidated	
	2011 $'000	2010 $'000
Total assets for reportable segments	**774,344**	239,829
Intersegment eliminations	**(98,046)**	-
Unallocated:		
Deferred tax assets	**99,729**	7,267
Listed and unlisted equity securities	**6,849**	738
Current tax assets	**7,541**	-
Cash and receivables held by the parent entity	**132,776**	24,412
Office and general plant and equipment	**1,784**	1,300
Goodwill	**116,762**	-
Total assets per the statement of financial position	**1,041,739**	273,546

	Consolidated 2011 $'000	Consolidated 2010 $'000

5. OPERATING SEGMENTS (continued)

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

Reportable segment liabilities are reconciled to total liabilities as follows:

	2011 $'000	2010 $'000
Total liabilities for reportable segments	**107,356**	34,305
Intersegment eliminations	**(30,164)**	-
Unallocated:		
Deferred tax liabilities	**111,233**	20,335
Current tax liabilities	**-**	2,299
Creditors and accruals	**19,212**	1,469
Provision for employee entitlements	**3,194**	358
Financial liabilities	**17,028**	-
Total liabilities per the statement of financial position	**227,859**	58,766

6. REVENUE

	2011 $'000	2010 $'000
Sales revenue		
Sale of goods	**150,880**	111,109
	150,880	111,109
Other revenue		
Interest received	**11,617**	5,561
	11,617	5,561
Total revenue	**162,497**	116,670

7. OTHER INCOME

	2011 $'000	2010 $'000
Net gain on disposal of property, plant and equipment	**463**	-
Other	**18**	30
Total other income	**481**	30

8. EXPENSES AND LOSSES

Profit before income tax includes the following specific items:

	2011 $'000	2010 $'000
Cost of sale of goods	**78,799**	49,408
Share-based payments expense	**17**	87
Finance costs – other entities	**309**	-
Amortisation expense	**20,015**	8,358
Depreciation expense	**7,353**	3,042
Exploration costs expensed	**2,416**	2,291
Rental expense relating to operating leases	**572**	420
Impairment of capitalised exploration expenditure	**7,186**	4,797
Rehabilitation and restoration borrowing costs	**109**	28
Impairment of inventories	**6,105**	-

	Consolidated 2011 $'000	Consolidated 2010 $'000

9. INCOME TAX

(a) Income tax expense

	2011 $'000	2010 $'000
The major components of income tax expense are:		
Current income tax		
Current income tax (benefit) expense	**(575)**	7,845
Adjustments in respect of current income tax of previous years		
Deferred income tax		
Relating to origination and reversal of temporary differences	**9,327**	3,828
Income tax expense reported in the statement of comprehensive income	**8,752**	11,673
Deferred tax (income) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets	**(39,482)**	931
(Decrease) increase in deferred tax liabilities	**48,809**	2,897
	9,327	3,828

(b) Amount charged or credited directly to equity

	2011 $'000	2010 $'000
Deferred income tax expense (income) related to items charged or credited to other comprehensive income		
Recognition of hedge contracts	**4,742**	(1,831)
Business-related capital allowances	**(1,651)**	-
Income tax expense reported in equity	**3,091**	(1,831)

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

	2011 $'000	2010 $'000
Profit before tax from continuing operations	**14,285**	40,413
At the Group's statutory income tax rate of 30% (2010: 30%)	**4,286**	12,124
Costs booked directly in equity	**(413)**	-
Non-deductible costs associated with acquisition of subsidiary	**5,042**	-
Unrecognised temporary difference – reduction in carrying value of investments below its original cost	**-**	19
Other	**(163)**	(470)
Aggregate income tax expense	**8,752**	11,673

9. INCOME TAX (continued)

(d) Deferred tax assets and liabilities

	Statement of Financial Position 2011 $'000	Statement of Financial Position 2010 $'000	Statement of Comprehensive Income 2011 $'000	Statement of Comprehensive Income 2010 $'000	Equity 2011 $'000	Equity 2010 $'000	Acquisition of Subsidiary 2011 $'000	Acquisition of Subsidiary 2010 $'000
Consolidated								
Deferred tax liabilities								
Capitalised exploration, pre-production and acquisition costs	**(100,443)**	(17,866)	**70,875**	4,520	**-**	-	**11,702**	-
Capitalised development expenditure	**(3,810)**	(1,813)	**(22,918)**	(1,526)	**-**	-	**24,915**	-
Deferred gains and losses on hedging contracts	**(5,435)**	-	**693**	(387)	**4,742**	-	**-**	-
Other	**(1,545)**	(656)	**159**	290	**-**	-	**730**	-
Gross deferred tax liabilities	**(111,233)**	(20,335)	**48,809**	2,897	**4,742**	-	**37,347**	-
Deferred tax assets								
Property, plant and equipment	**20,473**	1,833	**120**	(18)	**-**	-	**(18,760)**	-
Trade receivables	**179**	-	**(167)**	1,655	**-**	-	**(12)**	-
Deferred losses on hedged commodity contracts	**4,495**	3,309	**866**	(397)	**-**	-	**(2,052)**	-
Consumable inventories	**1,634**	-	**(1,163)**	-	**-**	-	**(471)**	-
Business-related capital allowances	**4,146**	671	**145**	(139)	**(1,651)**	-	**(1,969)**	-
Provision for employee entitlements	**1,883**	771	**(422)**	(92)	**-**	-	**(690)**	-
Provision for rehabilitation	**2,759**	235	**12**	-	**-**	-	**(2,536)**	-
Carry forward tax losses	**63,231**	-	**(38,343)**	-	**-**	-	**(24,888)**	-
Other	**929**	448	**(530)**	(78)	**-**	-	**49**	-
Gross deferred tax assets	**99,729**	7,267	**(39,482)**	931	**(1,651)**	-	**(51,329)**	-
Deferred tax (income) expense	**(11,504)**	(13,068)	**9,327**	3,828	**3,091**	-	**(13,982)**	-

(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.

	Consolidated 2011 $'000	2010 $'000

10. DIVIDENDS PAID AND PROPOSED

(a) Ordinary shares

	2011 $'000	2010 $'000
Final dividend for the year ended 30 June 2010 of 3 cents (2009: 3 cents) per fully paid share	**3,414**	3,409
Interim dividend for the year ended 30 June 2011 of 4 cents (2010: 2 cents) per fully paid share paid	**5,551**	2,274
Total dividends paid during the financial year	**8,965**	5,683

(b) Unrecognised amounts

	2011 $'000	2010 $'000
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 3 cents (2010: 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 30 September 2011 out of retained earnings at 30 June 2011, but not recognised as a liability at year end is:	**6,087**	3,414

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2011 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 2012.

	2011 $'000	2010 $'000
Franking credits available for subsequent financial year based on a tax rate of 30% (2010: 30%)	**77,028**	71,606

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 $2,609 thousand (2010: $1,463 thousand).

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

Profit used in calculating basic and diluted earnings per share attributable to ordinary equity holders of the parent is $5,533 thousand (2010: $28,740 thousand).

(b) Weighted average number of shares

	2011 Number of Shares	2010 Number of Shares
Weighted average number of ordinary shares for basic earnings per share	**142,247,284**	113,668,765
Effect of dilution:		
Share options	**265,541**	76,049
Weighted average number of ordinary shares adjusted for the effect of dilution	**142,512,825**	113,744,814

(c) Information on the classification of securities

Options

Options granted to employees (including key management personnel) as described in note 32 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are dilutive. These options have not been included in the determination of basic earnings per share.

	Consolidated	
	2011 $'000	2010 $'000
12. CURRENT ASSETS – CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**33,744**	13,124
Deposits at call	**38,257**	14,833
Fixed term deposits	**156,000**	116,000
	228,001	143,957

The Group has an amount of $3,399 thousand (2010: $1,844 thousand) in cash balances not generally available for use as it is subject to security with respect to statutory 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

Trade receivables	**19,078**	19,115
GST receivable	**3,253**	931
Sundry debtors	**5,755**	987
Prepayments	**676**	532
	28,762	21,565

All balances within trade and other receivables do not contain impaired assets and are not 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.

	Consolidated 2011 $'000	2010 $'000

14. CURRENT ASSETS – INVENTORIES

Mine spares and stores – at cost	**6,324**	257
ROM inventory – at net realisable value	**744**	-
Concentrate inventory – at net realisable value	**13,840**	-
	20,908	257

Impairment charges to inventories recognised as an expense for the year ended 30 June 2011 totalled $6,105 thousand (2010: $nil). 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	**6,849**	621
	6,849	621

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.

	Consolidated 2011 $'000	2010 $'000

16. NON-CURRENT ASSETS – RECEIVABLES

Term deposits	**476**	6
Lease incentive asset	**540**	-
	1,016	6

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

	Consolidated 2011 $'000	2010 $'000

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

	2011 $'000	2010 $'000
Buildings - at cost	**14,471**	-
Accumulated depreciation	**(524)**	-
Net carrying amount	**13,947**	-
Mining plant under construction - at cost	**11,191**	-
Net carrying amount	**11,191**	-
Mining plant and equipment - at cost	**68,959**	27,360
Accumulated depreciation	**(26,820)**	(23,988)
Net carrying amount	**42,139**	3,372
Motor vehicles - at cost	**3,913**	2,089
Accumulated depreciation	**(1,862)**	(1,594)
Net carrying amount	**2,051**	495
Furniture, fittings and other equipment - at cost	**5,878**	3,183
Accumulated depreciation	**(2,821)**	(1,980)
Net carrying amount	**3,057**	1,203
Leased assets	**15,076**	-
Accumulated depreciation	**(1,206)**	-
Net carrying amount	**13,870**	-
Total net carrying amount	**86,255**	5,070

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

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

	2011 $'000	2010 $'000
Buildings		
Carrying amount at beginning of financial year	**-**	-
Additions	**541**	-
Acquisition of subsidiary	**6,357**	-
Transfers	**7,573**	-
Depreciation expense	**(524)**	-
Carrying amount at end of financial year	**13,947**	-
Mining plant under construction		
Carrying amount at beginning of financial year	**-**	
Additions	**5,889**	-
Acquisition of subsidiary	**17,320**	-
Transfers	**(12,018)**	-
Carrying amount at end of financial year	**11,191**	-

	Consolidated 2011 $'000	Consolidated 2010 $'000
Mining plant and equipment		
Carrying amount at beginning of financial year	**3,372**	5,034
Additions	**13,722**	726
Acquisition of subsidiary	**29,279**	-
Transfers	**393**	-
Depreciation expense	**(4,627)**	(2,388)
Carrying amount at end of financial year	**42,139**	3,372
Motor vehicles		
Carrying amount at beginning of financial year	**495**	603
Additions	**377**	230
Acquisition of subsidiary	**1,490**	-
Transfers	**46**	-
Depreciation expense	**(357)**	(338)
Carrying amount at end of financial year	**2,051**	495
Furniture, fittings and other equipment		
Carrying amount at beginning of financial year	**1,203**	471
Additions	**1,180**	1,031
Acquisition of subsidiary	**1,237**	-
Transfers	**102**	-
Disposals	**(2)**	-
Depreciation expense	**(663)**	(299)
Carrying amount at end of financial year	**3,057**	1,203
Leased assets		
Carrying amount at beginning of financial year	**-**	-
Additions	**4,832**	-
Acquisition of subsidiary	**10,362**	-
Disposals	**(114)**	-
Depreciation expense	**(1,210)**	-
Carrying amount at end of financial year	**13,870**	-
Total property, plant and equipment		
Carrying amount at beginning of financial year	**5,070**	6,108
Additions	**26,541**	1,987
Acquisition of subsidiary	**66,045**	-
Transfers to mine properties in development	**(3,904)**	-
Disposals	**(116)**	-
Depreciation expense	**(7,381)**	(3,025)
Carrying amount at end of financial year	**86,255**	5,070

	Consolidated 2011 $'000	Consolidated 2010 $'000

18. NON-CURRENT ASSETS – MINE PROPERTIES

	2011 $'000	2010 $'000
Mine properties in development	**89,770**	-
Mine properties in production	**73,920**	37,064
Mine acquisition costs	**-**	726
	163,690	37,790

a) Reconciliation of the carrying amounts at the beginning and end of the financial year are as follows:

	2011 $'000	2010 $'000
Mine properties in development		
Carrying amount at beginning of financial year	**-**	-
Additions	**12,875**	-
Acquisition of subsidiary	**72,003**	-
Transfer from exploration and evaluation	**988**	-
Transfer from property, plant and equipment	**3,904**	-
Carrying amount at end of financial year	**89,770**	-
Mine properties in production		
Carrying amount at beginning of financial year	**37,064**	25,673
Additions	**21,532**	16,109
Acquisition of subsidiary	**32,066**	-
Transfer from exploration and evaluation expenditure	**2,294**	2,801
Transfer from mine acquisition costs	**240**	-
Amortisation expense	**(19,276)**	(7,519)
Carrying amount at end of financial year	**73,920**	37,064
Mine acquisition costs		
Carrying amount at beginning of financial year	**726**	1,394
Transfer to prepayments	**-**	(104)
Amortisation expense	**(486)**	(564)
Transfer to mine properties in production	**(240)**	-
Carrying amount at end of financial year	**-**	726

19. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION EXPENDITURE

	2011 $'000	2010 $'000
Exploration and evaluation costs	**256,233**	49,302
	256,233	49,302

a) Reconciliation of the carrying amounts at the beginning and end of the financial year are as follows:

	2011 $'000	2010 $'000
Exploration and evaluation costs		
Carrying amount at beginning of financial year	**49,302**	33,118
Additions	**31,781**	23,962
Acquisition of subsidiary	**186,618**	-
Transfer to mine properties in production	**(2,294)**	(2,801)
Transfers to mine properties in development	**(988)**	-
Exploration expenditure written off	**(7,186)**	(4,977)
Disposals	**(1,000)**	-
Carrying amount at end of financial year	**256,233**	49,302

20. NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Goodwill $'000	Database $'000	Total $'000
At 1 July 2009			
Cost	-	1,378	1,378
Accumulated amortisation	-	(97)	(97)
Net book amount	-	1,281	1,281
Year ended 30 June 2010			
Opening net book amount	-	1,281	1,281
Amortisation expense	-	(275)	(275)
Closing net book amount	-	1,006	1,006
At 30 June 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	116,762	-	116,762
Amortisation expense	-	(253)	(253)
Closing net book amount	116,762	753	117,515
At 30 June 2011			
Cost	116,762	1,378	118,140
Accumulated amortisation	-	(625)	(625)
Net book amount	116,762	753	117,515

	Consolidated 2011 $'000	Consolidated 2010 $'000
21. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Trade payables	**19,358**	10,786
Other payables	**38,273**	4,845
Employee entitlements	**3,363**	1,476
	60,994	17,107
22. CURRENT LIABILITIES – PROVISIONS		
Provision for employee entitlements	**705**	-
	705	-

23. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated 2011 $'000	Consolidated 2010 $'000
Provision for employee entitlements	**2,207**	1,095
Provision for rehabilitation costs (i)	**9,195**	312
	11,402	1,407

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

	2011 $'000	2010 $'000
Carrying amount at beginning of financial year	**312**	284
Additional provision	**372**	-
Additional provision on acquisition of subsidiary	**8,402**	-
Rehabilitation and restoration borrowing costs expense	**109**	28
Carrying amount at end of financial year	**9,195**	312

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.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2011 $'000	2010 $'000
Current assets		
Commodity hedging contracts – at fair value through profit or loss	**114**	-
Foreign currency contracts – at fair value through profit or loss	**6,964**	-
Foreign currency contracts – cash flow hedges	**9,919**	2,832
	16,997	2,832
Current liabilities		
Commodity hedging contracts – at fair value through profit or loss	**4,155**	-
Commodity hedging contracts – cash flow hedges	**10,859**	13,922
	15,014	13,922
Non-current assets		
Commodity hedging contracts – cash flow hedges	**36**	3,756
Foreign currency contracts – cash flow hedges	**8,207**	-
	8,243	3,756
Non-current liabilities		
Foreign currency contracts – cash flow hedges	**-**	3,696
	-	3,696

(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 2011 and 30 June 2010.

Cash flow hedges

At 30 June 2011, 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 2011 are as follows:

Year of delivery	Sell (Nickel tonnes)	USD/tonne	Exchange rate	AUD/tonne
2011/12	2,160	18,000	0.8220	21,898
2012/13	2,400	23,233	0.8659	26,831
Total	4,560	20,755	0.8101	25,620

The hedge contracts are to be settled at the rate of 180 tonnes per month in 2011/12 and 200 tonnes per month in 2012/13. The hedge contracts have been marked to market as at 30 June 2011 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:

Sell USD forward

	Notional amounts (US$)		Weighted average A$:US$ exchange rate		Fair value	
	2011	2010	2011	2010	2011	2010
	$'000	$'000			$'000	$'000
0 – 3 months	**9,720**	8,889	**0.8220**	0.7792	**2,679**	885
3 – 6 months	**9,720**	8,889	**0.8220**	0.7792	**2,543**	763
6 – 12 months	**19,440**	17,778	**0.8220**	0.7792	**4,697**	1,183
1 – 2 years	**55,760**	38,880	**0.8659**	0.8220	**8,207**	(1,221)
2 – 3 years	**-**	28,704	**-**	0.8346	**-**	(2,475)
Total	**94,640**	103,140	**0.8473**	0.8101	**18,126**	(865)

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 2011 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 2011 are summarised below.

24. 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	
	2011 $'000	2010 $'000	2011	2010	2011 $'000	2010 $'000
0 – 6 months	**11,500**	-	**0.9070**	-	**1,819**	-
6 – 12 months	**8,000**	-	**0.9070**	-	**1,180**	-
Total/weighted average strike price	**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	
	2011 $'000	2010 $'000	2011	2010	2011 $'000	2010 $'000
0 – 6 months						
US$ 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	
	2011 $'000	2010 $'000	2011	2010	2011 $'000	2010 $'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	
	2011	2010	2011	2010	2011 $'000	2010 $'000
0 – 6 months	**1,350**	-	**7,760**	-	**(2,096)**	-
Total	**1,350**	-	**7,760**	-	**(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	
	2011	2010	2011	2010	2011 $'000	2010 $'000
0 – 6 months	**3,100**	-	**2,040**	-	**(963)**	-
6 – 12 months	**2,375**	-	**1,961**	-	**(981)**	-
Total	**5,475**	-	**2,006**	-	**(1,944)**	-

25. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated	
	2011 $'000	2010 $'000
Current liabilities		
Silver hedge financing – at fair value through profit or loss	**11,303**	-
	11,303	-
Non-current liabilities		
Silver hedge financing – at fair value through profit or loss	**5,725**	-
	5,725	-

At the reporting date, a 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 2011, 529,159 ounces of silver were outstanding (2010: nil). The Group assumed the liability as a result of the acquisition of Jabiru Metals Limited in April 2011 (refer note 36).

The USD forward silver sales contracts outstanding at 30 June 2011 are as follows:

	Ounces of metal		Weighted average price (US$/ounce)		Fair value	
	2011	2010	2011	2010	2011 $'000	2010 $'000
0 – 6 months	**195,893**	-	**19.54**	-	**6,348**	-
6 – 12 months	**153,266**	-	**19.54**	-	**4,955**	-
12 – 18 months	**100,000**	-	**27.83**	-	**3,190**	-
18 – 24 months	**80,000**	-	**27.83**	-	**2,535**	-
Total	**529,159**	-	**22.36**	-	**17,028**	-

	Consolidated 2011 $'000	Consolidated 2010 $'000
26. BORROWINGS		
Current		
Obligations under finance leases (note 33)	**5,789**	-
	5,789	-
Non–current		
Obligations under finance leases (note 33)	**5,694**	-
	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 $13,870 thousand (2010: $nil). Refer to notes 17 and 33 for further information.

At the reporting date, there were no externally imposed capital requirements.

(d) Financing arrangements

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

	Consolidated 2011 $'000	Consolidated 2010 $'000
Total facilities		
Finance lease	**21,000**	-
Guarantee facility	**8,000**	2,160
	29,000	2,160
Facilities used as at reporting date		
Finance lease	**14,244**	-
Guarantee facility	**5,562**	1,607
	19,806	1,607
Facilities unused as at reporting date		
Finance lease	**6,756**	-
Guarantee facility	**2,438**	553
	9,194	553

	Consolidated 2011 $'000	Consolidated 2010 $'000

27. CONTRIBUTED EQUITY

	2011	2010
Fully paid issued capital	**617,860**	29,552

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

	2011 No. of shares	2011 $'000	2010 No. of shares	2010 $'000
Balance at beginning of financial year	**113,813,539**	**29,552**	113,613,539	29,078
Issued during the year:				
- share placement and rights issue	**24,713,766**	**164,347**	-	-
- transaction costs, net of tax	**-**	**(5,229)**	-	-
- conversion of options	**1,087,500**	**4,920**	200,000	474
- shares issued for acquisition of subsidiary	**63,292,330**	**424,270**	-	-
Balance at end of financial year	**202,907,135**	**617,860**	113,813,539	29,552

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. The Board monitors the return on capital, which the Group defines as net profit before tax divided by shareholders' equity, excluding reserves. The Board also monitors the level of dividends paid to ordinary shareholders. The Group's gearing ratio as at the reporting date is 1.41% (2010: 0%).

Operating cash flows are used to maintain and expand the Group's operating and exploration assets, as well as to make the routine outflows of tax and dividends. 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.

	Consolidated 2011 $'000	Consolidated 2010 $'000

28. RESERVES AND RETAINED EARNINGS

(a) Reserves

	2011 $'000	2010 $'000
Share-based payments reserve	**4,057**	4,040
Hedging reserve	**5,284**	(5,781)
Acquisition reserve	**3,142**	-
	12,483	(1,741)

Movements

	2011 $'000	2010 $'000
Share-based payments reserve		
Balance at beginning of financial year	**4,040**	3,954
Movements due to vesting	**17**	86
Balance at end of financial year	**4,057**	4,040
Hedging reserve		
Balance at beginning of financial year	**(5,781)**	(1,508)
Revaluation – gross	**8,754**	8,714
Deferred tax	**(2,626)**	(2,614)
Transfer to net profit – gross	**7,053**	(14,818)
Deferred tax	**(2,116)**	4,445
Balance at end of financial year	**5,284**	(5,781)
Acquisition reserve		
Balance at beginning of financial year	**-**	-
Excess of carrying value of non-controlling interest over fair value of shares issued	**3,142**	-
Balance at end of financial year	**3,142**	-

(b) Retained earnings

	2011 $'000	2010 $'000
Balance at beginning of financial year	**186,969**	163,912
Net profit for the year	**5,533**	28,740
Dividends	**(8,965)**	(5,683)
Balance at end of financial year	**183,537**	186,969

(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 32 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.

	Consolidated 2011 $'000	2010 $'000

29. CASH FLOW STATEMENT RECONCILIATION

	2011 $'000	2010 $'000
Net profit for the year	**5,533**	28,740
Adjustments for:		
Depreciation and amortisation	**27,368**	11,400
Exploration expenditure written off	**7,186**	4,977
Gain on disposal of plant and equipment	**(463)**	-
Devaluation (revaluation) of investments in listed entities	**(760)**	554
Interest income	**(9,897)**	(5,075)
Employee share-based payment expenses	**522**	87
Unrealised gain on financial liabilities	**(2,509)**	-
Unrealised (gain) loss on changes in fair value of derivative financial instruments	**(5,522)**	4,442
Changes in operating assets and liabilities		
(Increase)/decrease in trade debtors	**12,400**	4,242
(Increase)/decrease in other debtors and prepayments	**(4,619)**	(161)
(Increase)/decrease in inventories	**4,924**	53
(Increase)/decrease in income tax receivable	**(7,541)**	-
(Increase)/decrease in deferred tax assets	**(39,482)**	(900)
Increase/(decrease) in trade and other payables	**17,995**	3,633
Increase/(decrease) in current tax payable	**(2,299)**	3,692
Increase/(decrease) in deferred tax liability	**48,809**	2,897
Increase/(decrease) in provisions	**1,171**	336
Net cash flows from operating activities	**52,816**	58,917

Non-cash investing and financing activities

Acquisition of plant and equipment by means of finance leases	**4,973**	-
	4,973	-

30. 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 2011 %	Equity interest 2010 %
Lightning Nickel Pty Ltd*	Australia	Ordinary	100	100
Newsearch Pty Ltd	Australia	Ordinary	100	100
Karlawinda Pty Ltd	Australia	Ordinary	100	-
Jabiru Metals Limited*	Australia	Ordinary	100	-
Jabiru Metals ESP Pty Ltd	Australia	Ordinary	100	-
Jabiru Metals Exploration Pty Ltd	Australia	Ordinary	100	-
Jabiru Metals Exploration Parent Pty Ltd	Australia	Ordinary	100	-
Jabiru Stockman Project Pty Ltd	Australia	Ordinary	100	-
Jabiru Stockman Parent Pty Ltd	Australia	Ordinary	100	-
Jaguar Project Pty Ltd	Australia	Ordinary	100	-
Jaguar Project Parent Pty Ltd	Australia	Ordinary	100	-
Jabiru CM Pty Ltd	Australia	Ordinary	100	-
BBS Company Pty Ltd	Australia	Ordinary	100	-
Jabiru Projects Pty Ltd	Australia	Ordinary	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 39 for further information.

(b) Key management personnel

Details relating to key management personnel (KMP), including remuneration paid, are included in note 31.

(c) Transactions with related parties

During the financial year, a wholly-owned entity paid dividends of $30,000 thousand (2010: $40,000 thousand) 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.

	Consolidated 2011 $'000	Consolidated 2010 $'000

31. KEY MANAGEMENT PERSONNEL

(a) Compensation of key management personnel

	2011	2010
Short-term employee benefits	**2,679,805**	1,730,638
Post-employment benefits	**175,380**	227,198
Share-based payments	**-**	-
	2,855,185	1,957,836

(b) Option holdings of key management personnel

The numbers of options over ordinary shares in the Company held during the 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 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.

2010	Held at 1 July 2009	Granted as Remuneration	Options Exercised	Net Change Other	Held at 30 June 2010	Vested and Not Exercisable at 30 June 2010	Vested and Exercisable at 30 June 2010
Directors of Independence Group NL							
C Bonwick	500,000	-	-	-	500,000	-	500,000
K Ross	250,000	-	-	-	250,000	-	250,000
Total	750,000	-	-	-	750,000	-	750,000

31. KEY MANAGEMENT PERSONNEL (continued)

(c) Share holdings of key management personnel

The numbers of shares in the Company held during the 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. There were no shares granted during the reporting period as compensation.

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
T Moran	-	-	-	-	-
G Davison	2,700	-	-	47,239	49,939
S Steinkrug	-	-	-	2,000	2,000
G Comb	-	-	-	1,285,898	1,285,898
Total	**5,283,206**	**-**	**-**	**340,848**	**5,624,054**

2010	Balance 1 July 2009	Granted as Remuneration	Received on Exercise of Options	Net Other Changes During the Year	Balance 30 June 2010
Directors of Independence Group NL					
O Aamodt	20,000	-	-	10,000	30,000
C Bonwick	3,003,506	-	-	-	3,003,506
K Ross	445,000	-	-	(100,000)	345,000
J Christie	595,000	-	-	(50,000)	545,000
R Marston	1,315,000	-	-	-	1,315,000
P Bilbe	-	-	-	-	-
Other key management personnel					
B Hartmann	37,500	-	-	-	37,500
D Totterdell	-	-	-	4,500	4,500
T Moran	-	-	-	-	-
G Davison	2,700	-	-	-	2,700
Total	**5,418,706**	**-**	**-**	**(135,500)**	**5,283,206**

(d) 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 to. The fees were based on normal commercial terms and conditions. Fees paid to Virtual Genius Pty Ltd during the year totalled $14 thousand (2010: $14 thousand).

Consulting fees have been paid to MiningOne Pty Ltd, a company to which two directors of a subsidiary are associated with. One director is a principal of MiningOne Pty Ltd and the other is a consultant to the company. The fees were based on normal commercial terms and conditions. Consultancy fees paid to MiningOne Pty Ltd during the year totalled $421 thousand (2010: $315 thousand).

32. SHARE-BASED PAYMENT PLANS

(a) Employee Option Plan

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

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

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

There have been no cancellations or modifications to any of the plans during 2011 and 2010.

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

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding at the beginning of the year	**1,087,500**	**$4.52**	1,287,500	$4.19
Granted during the year	**-**	**-**	-	-
Forfeited during the year	**-**	**-**	-	-
Exercised during the year*	**(1,087,500)**	**$4.52**	(200,000)	$2.37
Expired during the year	**-**	**-**	-	-
Outstanding at the end of the year	**-**	**-**	1,087,500	$4.52
Exercisable at the end of the year	**-**	**-**	975,000	$4.50

* Includes 750 thousand unlisted options sold off-market.

A summary of the share options is as follows:

- On 31 October 2006, the Company issued 150 thousand unlisted options exercisable at $4.85 to employees. The options were issued pursuant to the Company's Employee Option Plan. All options have been exercised or cancelled as at the end of the financial year (2010: balance of 112 thousand options expiring 30 June 2011).
- On 13 November 2006, the Company issued 300 thousand unlisted options exercisable at $4.64 to employees. The options were issued pursuant to the Company's Employee Option Plan. All options have been exercised or cancelled as at the end of the financial year (2010: balance of 225 thousand options expiring 30 June 2011).
- On 27 November 2006, the Company issued 500 thousand unlisted options to Director Christopher Bonwick and 250 thousand unlisted options to Director Kelly Ross, exercisable at $4.44. The options were issued pursuant to the Company's Employee Option Plan. The options were issued pursuant to resolutions 3 and 4 passed at the 2006 Annual General Meeting. All options have been exercised as at the end of the financial year (2010: balance of 750 thousand options expiring 30 June 2011).

(b) Weighted average remaining contractual life

There were no options outstanding as at 30 June 2011. The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 was 1.0 year.

(c) Range of exercise prices

There were no options outstanding as at 30 June 2011. The range of exercise prices for options outstanding as at 30 June 2010 was $4.44 - $4.85.

(d) Weighted average fair value

The weighted average fair value of options granted during the year was $nil as no options were granted (2010: $nil).

(e) Other

No options have been issued during the years ended 30 June 2011 or 30 June 2010.

The amount included under share-based payment expense in the profit and loss is $17 thousand (2010: $87 thousand) which relates in full to the equity-settled share-based payment transactions.

	Consolidated 2011 $'000	2010 $'000

33. COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) Leasing commitments

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases at 30 June are as follows:

	2011 $'000	2010 $'000
Within one year	**1,411**	390
After one year but no more than five years	**6,458**	985
After more than five years	**5,429**	-
Total minimum lease payments	**13,298**	1,375

Finance lease and hire purchase commitments

Future minimum lease payments under lease contracts with the present value of net minimum lease payments are as follows:

	2011 $'000	2010 $'000
Within one year	**6,550**	-
After one year but not more than five years	**6,007**	-
Total minimum lease payments	**12,557**	-
Less amount representing finance charges	**(1,074)**	-
Present value of minimum lease payments	**11,483**	-
Current borrowings (note 26)	**5,789**	-
Non-current borrowings (note 26)	**5,694**	-
Total included in borrowings	**11,483**	-

(ii) Property, plant and equipment commitments

The Group had contractual obligations to purchase plant and equipment for $2,463 thousand (2010: $nil) at the reporting date.

Commitments contracted for at reporting date but not recognised as liabilities are as follows:

	2011 $'000	2010 $'000
Within one year	**2,463**	-
Total minimum lease payments	**2,463**	-

(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 $13,860 thousand (2010: $4,388 thousand) within the next financial year.

(b) Contingencies

The Group has guarantees outstanding at 30 June 2011 totalling $5,562 thousand (2010: $1,607 thousand) 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. 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.

34. EVENTS AFTER THE REPORTING DATE

On 31 August 2011, the Company announced a fully franked final dividend of 3 cents per share to be paid on 30 September 2011.

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.

	Consolidated	
	2011 $'000	2010 $'000

35. AUDITOR'S REMUNERATION

The auditor of Independence Group NL is BDO.

Amounts received or due and receivable by BDO for:

• An audit or review of the financial report of the entity and any other entity in the consolidated Group	**165,500**	114,000
• Other services in relation to the entity and any other entity in the consolidated Group	**14,235**	-
	179,735	114,000

36. BUSINESS COMBINATION

(a) Summary of acquisition

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 are as follows:

	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

36. BUSINESS COMBINATION (continued)

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

	Fair value $'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	186,618
Deferred tax assets	51,329
Total non-current assets	**408,532**
Total assets	**463,483**
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**
Non-current liabilities	
Borrowings	3,288
Provisions	8,845
Financial liabilities at fair value through profit or loss	9,520
Deferred tax liabilities	37,347
Total non-current liabilities	59,000
Total liabilities	**103,911**
Net identifiable assets acquired	**359,572**
Non-controlling interest in identifiable net assets acquired	(17,550)
Add : Goodwill	116,762
Net assets acquired	**458,784**

	Consolidated 2011 $'000	2010 $'000
(b) Purchase consideration – cash outflow		
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

Acquisition-related costs of $21,133 thousand (2010: $nil) comprise "costs associated with the acquisition of subsidiary" in the statement of comprehensive income.

(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 thousand and the fair value of the equity shares issued on that date of $14,408 thousand is recognised directly in equity attributable to the parent. Accordingly, a credit to acquisition reserve of $3,142 thousand is reflected in the statement of changes in equity.

37. INTERESTS IN JOINT VENTURES

The Company has a jointly controlled operation, The Tropicana Gold Project with AngloGold Ashanti Australia Ltd in which it 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:

	Consolidated 2011 $'000	2010 $'000
Current assets		
Cash and cash equivalents	**6,225**	-
Trade and other receivables	**403**	-
Total current assets	**6,628**	-
Non-current assets		
Property, plant and equipment	**313**	-
Mine properties	**7,863**	-
Exploration and evaluation expenditure	**37,025**	-
Total non-current assets	**45,201**	-
Total assets	**51,829**	-
Current liabilities		
Trade and other payables	**3,981**	-
Total current liabilities	**3,981**	-
Total liabilities	**3,981**	-
Net assets	**47,848**	-

Expenses of $815 thousand (2010:$nil) in relation to the Company's interest in the joint venture have been included in the statement of comprehensive income.

Forecast capital commitments of $224,926 thousand (2010: $11,848 thousand) comprising approved expenditure for the development of the Tropicana Gold Mine are yet to be incurred at 30 June 2011.

38. PARENT ENTITY INFORMATION

The following details 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.

	Consolidated	
	2011 $'000	2010 $'000
Statement of financial position		
Current assets	**150,833**	24,412
Non-current assets	**611,050**	63,484
Total assets	**761,883**	87,896
Current liabilities	**19,148**	4,126
Non-current liabilities	**85,915**	15,083
Total liabilities	**105,063**	19,209
Net assets	**656,820**	68,687
Shareholders' equity		
Contributed equity	**617,860**	29,552
Reserves	**7,199**	4,040
Retained earnings	**31,761**	35,095
Total equity	**656,820**	68,687
Profit for the year	**5,631**	31,058
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**5,631**	31,058

39. 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 2011 of the closed group consisting of Independence Group NL, Lightning Nickel Pty Ltd and Jabiru Metals Limited. No comparatives are provided as the deed of cross guarantee was entered into during the 30 June 2011 financial year.

	2011 $'000
Statement of comprehensive income	
Revenue from continuing operations	**162,497**
Other income	**481**
Mining and development costs	**(39,716)**
Employee benefits expense	**(28,788)**
Share-based payments expense	**(17)**
Fair value adjustment of listed investments	**760**
Depreciation and amortisation expense	**(27,373)**
Rehabilitation and restoration borrowing costs	**(109)**
Exploration costs expensed	**(2,386)**
Capitalised exploration costs impaired	**(5,577)**
Royalty expense	**(7,586)**
Ore tolling expense	**(8,309)**
Net gains on fair value financial liabilities	**2,509**
Costs associated with acquisition of subsidiary	**(21,133)**
Other expenses	**(9,334)**
Profit from continuing operations before income tax	**15,919**
Income tax expense	**(8,785)**
Profit after income tax	**7,134**
Other comprehensive income	
Effective portion of changes in cash flow hedges, net of tax	**11,065**
Other comprehensive income for the period, net of tax	**11,065**
Total comprehensive income for the period	**18,199**
Summary of movements in consolidated retained earnings	
Retained earnings at the beginning of the financial year	**186,969**
Profit for the year	**7,134**
Dividends paid	**(8,965)**
Retained earnings at the end of the financial year	**185,138**

39. DEED OF CROSS GUARANTEE (continued)

(b) Consolidated statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2011 of the closed group consisting of Independence Group NL, Lightning Nickel Pty Ltd and Jabiru Metals Limited.

	2011 $'000
ASSETS	
Current assets	
Cash and cash equivalents	**228,001**
Trade and other receivables	**27,455**
Current tax receivable	**7,541**
Inventories	**20,908**
Financial assets at fair value through profit or loss	**6,849**
Derivative financial instruments	**16,997**
Total current assets	**307,751**
Non-current assets	
Receivables	**11,002**
Property, plant and equipment	**84,562**
Exploration and evaluation expenditure	**85,025**
Mine properties	**163,690**
Deferred tax assets	**99,729**
Investments in controlled entities	**160,137**
Intangible assets	**117,515**
Derivative financial instruments	**8,243**
Total non-current assets	**729,903**
TOTAL ASSETS	**1,037,654**
LIABILITIES	
Current liabilities	
Trade and other payables	**58,309**
Borrowings	**5,789**
Derivative financial instruments	**15,014**
Provisions	**705**
Financial liabilities at fair value through profit or loss	**11,303**
Total current liabilities	**91,120**
Non-current liabilities	
Borrowings	**5,694**
Provisions	**11,402**
Deferred tax liabilities	**108,232**
Financial liabilities at fair value through profit or loss	**5,725**
Total non-current liabilities	**131,053**
TOTAL LIABILITIES	**222,173**
NET ASSETS	**815,481**
EQUITY	
Contributed equity	**617,860**
Reserves	**12,483**
Retained earnings	**185,138**
TOTAL EQUITY	**815,481**

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 13 to 68 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 2011 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 39.

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 28th day of September 2011

Independent Auditor's Report

To the members of Independence Group NL

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 2011, 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 is free from material misstatement, whether due to fraud or error. In Note 2(a), 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 entity'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 entity'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 in 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 2011 and of it's performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Independence Group NL for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd

Glyn O'Brien
Director

Perth Western Australia
28 September 2011

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 20 September 2011.

1. Shareholding

a. Distribution of shareholders

Holding range	Fully paid ordinary shares
1 – 1,000	3,066
1,001 – 5,000	3,341
5,001 – 10,000	817
10,001 – 100,000	820
100,001 – and over	90
	8,134

b. The number of shareholders holding less than a marketable parcel of fully paid ordinary shares is 374. The number of shareholders holding less than an economic parcel is 1,484.

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

- JCP Investment Partners Ltd (10.72%)

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 1, 183 Great Eastern Highway, Belmont, Western Australia, telephone (08) 9479 1777.

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 202,907,135 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	45,089,198	22.22
2. National Nominees Ltd	35,254,678	17.38
3. HSBC Custody Nominees	30,245,848	14.91
4. Citicorp Nominees Pty Ltd	12,850,517	6.33
5. Metals X Limited	6,558,571	3.23
6. Cogent Nominees Pty Ltd	5,222,639	2.57
7. RBC Dexia Services	4,096,836	2.02
8. Forty Traders Limited	3,153,083	1.55
9. AMP Life Limited	1,581,222	0.78
10. Legend Mining Limited	1,066,667	0.53
11. Bonwick Superannuation Pty Ltd	1,050,000	0.52
12. Virtual Genius Pty Ltd	1,000,000	0.49
13. Perth Select Seafoods Pty Ltd	920,000	0.45
14. Nattai Pty Ltd	919,750	0.45
15. Yarandi Investments	810,492	0.40
16. Mrs Karen Schiller	757,300	0.37
17. Mr Jeffrey Schiller	750,000	0.37
18. Queensland Investment Corp	736,147	0.36
19. Doppelganger Pty Ltd	586,667	0.29
20. The Australian National University	559,650	0.28
	153,209,265	**75.50**