



22 February 2005

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

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DECEMBER 2004 HALF YEAR REPORT

Independence Group NL is pleased to announce a record net profit of \$12.5 million for the half year ending 31 December 2004. A fully franked interim dividend of 3 cents will be paid in April 2004.

	2004	2003
Net profit after tax	\$12.5m	\$9.5m
Cash flow from operating activities	\$16.4m	\$11.7m
Diluted earnings per share	11.8¢	10.1¢

Key Points

- Net profit after tax of \$12.5 million for the half year, a 32% increase on the previous corresponding period
- Strong cash flow from operations of \$16.4 million underpins the company's growth and shareholder returns
- Reserves at the Long nickel mine increased to 48,300 nickel tonnes in June 2004, representing a mine life of at least 5 years
- Interim dividend of three cents per share following the maiden dividend of five cents per share declared for the 2004 full year
- Acquisition of a strategic 19.9% stake in Matrix Metals Limited as part of the strategy to become a diversified commodity producer

Operations

- Total production for the six months ended December 2004 was 114,011 tonnes at an average grade of 4.13% for 4,705 tonnes of metal delivered. A total of 848

nickel metal tonnes were mined outside or in excess of existing ore reserves, representing 18% of production for the period.

- The development of the Victor South ore body at the Long nickel mine has contributed to the increase in production, and has also led to a substantial increase in head grades in the December quarter.
- The increase in production has combined with successful implementation of cost-saving initiatives to drive cash costs substantially lower. Cash costs for the period were A\$3.10/payable pound, with a record low A\$2.65/payable pound in the December quarter.
- The substantial program initiated in the March 2004 quarter to increase reserves at the Long nickel mine resulted in an increase in reserves to 48,300 tonnes of metal in June 2004. This reserve expansion program is ongoing.
- The Board approved \$4 million of expenditure for development of the Long South exploration decline. This commenced in the December quarter and advanced 160 metres of a targeted 1,315 metres. Drilling at the Long South target has previously intersected a number of encouraging intercepts indicating potential for additional nickel sulphide mineralisation.

Investments

Independence is committed to its goal of establishing a substantial mid-tier diversified mining company. Consistent with this was the acquisition in November 2004 of a 19.9% stake in Matrix Metals Limited, a copper explorer in the Mt Isa region which has just completed a feasibility study on its White Range copper project. Independence is confident that the economics of the White Range project can be improved. Matrix also contains substantial upside, with the similar sized but less advanced Mt Watson project, a solid cash position of \$16 million, and the outstanding exploration prospectivity of its large regional tenement holding for copper, gold and uranium. It is considered that Matrix has the potential to become a 30,000 tonne p.a. copper producer from its two 100%-owned projects.

Financials

- Total revenues for the half year increased by 35% to \$45.3 million (Dec Half 2003: \$33.5 million).
- Net profit for the half year of \$12.5 million was driven by increased production, a focus on targeted cost reductions and strong spot nickel prices. Fully diluted earnings per share increased to 11.8 cents from 10.1 cents in the previous corresponding period.

- Strong cash flow generation from operating activities of \$16.4 million was a 40% increase over the previous corresponding period despite the payment of income tax of \$4.9 million (Dec Half 2003: \$0).
- Cash and deposits stood at \$12.4 million at 31 December, with an additional \$11.4 million in net receivables.
- Independence funded the 2004 dividend (\$5.4 million) and Matrix investment (\$11.8 million) through existing cash reserves and operating cash flow, and at the same time retired \$3.7 million of debt.

Dividends

An interim dividend of three cents per share fully franked has been announced, reflecting the strength of cash flow generation from operations. The record date to determine entitlements is 24 March 2005 with the payment to be effected on 4 April 2005. This follows the maiden dividend of five cents per share for the 2004 full year, which was paid to shareholders in December 2004.

Outlook

Independence is focused on continuing to expand the Long nickel mine reserve base and maintaining a solid operational performance. This places the company firmly on track to meet its budgeted 2004/5 production of 222,000 tonnes at 4.0% Ni for production of 8,900 tonnes of payable nickel metal.

Exploration and evaluation will continue at a number of nickel, copper and gold projects where early stage work has returned encouraging results.

The full half year report is attached.



CHRISTOPHER BONWICK
Managing Director

INDEPENDENCE GROUP NL and controlled entities

ABN 46 092 786 304

HALF-YEAR INFORMATION – 1 JULY 2004 TO 31 DECEMBER 2004

LODGED WITH THE ASX UNDER LISTING RULE 4.2A.

CONTENTS	PAGE
Key Information – Results for Announcement to the Market.....	2
Half-Year Report	
Directors' report.....	3
Consolidated statement of financial performance	5
Consolidated statement of financial position	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements.....	8
Directors' declaration.....	11
Independent review report to the members	12
Auditor's declaration of independence to the members	13

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Independence Group NL during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

INDEPENDENCE GROUP NL and controlled entities

ABN 46 092 786 304

HALF-YEAR INFORMATION – 1 JULY 2004 TO 31 DECEMBER 2004

LODGED WITH THE ASX UNDER LISTING RULE 4.2A.3.

Key Information – Results for Announcement to the Market

	\$'000	% Increase/(Decrease) over Previous Corresponding Period
Revenue from ordinary activities	45,283	35%
Profit from ordinary activities after tax attributable to members	12,519	32%
Net profit attributable to members	12,519	32%

The previous corresponding period is the half-year ended 31 December 2003.

	2004	2003
Basic earnings per share (cents)	15.31	13.86
Diluted earnings per share (cents)	11.80	10.05
Net tangible assets per share (cents)	29.50	12.65

The major factors contributing to the above increases are as follows:-

- 2004 half year results reflect an increase in production at the Long Nickel Mine. Production was 4,370 recovered nickel tonnes (2003 half year 3,218 recovered nickel tonnes).
- Spot nickel prices during the 2004 period were significantly higher than in the previous corresponding period.

The Company paid a maiden fully franked dividend of 5 cents per share from 2004 profits. The Company has announced a fully franked 2005 interim dividend of 3 cents per share.

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

The Company did not gain or lose control over any entity during the period.

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

Your directors present their report on the consolidated entity consisting of Independence Group NL and the entities it controlled at the end of, or during, the half-year ended 31 December 2004.

Directors

The following persons were directors of Independence Group NL during the whole of the half-year and up to the date of this report:

R J Marston
C M Bonwick
K A Ross
J A Christie

Review of Operations

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

	Segment revenues		Segment results	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Nickel mining	44,906	33,398	22,319	14,522
Exploration activities	-	-	(3,276)	(551)
Intersegment eliminations	-	(300)	-	-
Unallocated revenue	377	451	-	-
	45,283	33,549	19,043	13,971
Unallocated revenue less unallocated expenses			(814)	(438)
Profit from ordinary activities before income tax expense			18,229	13,533
Income tax expense			(5,710)	(4,060)
Profit from ordinary activities after income tax expense			12,519	9,473
Loss from extraordinary item after income tax			-	-
Net profit attributable to members of Independence Group NL			12,519	9,473

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

- a) Nickel mining
This division consists of Lightning Nickel Pty Ltd's Kambalda operation, the Long Nickel Mine.
- b) Exploration activities
Exploration expenditure is incurred throughout Australia. The exploration activities in the above segment relate to that portion of exploration expenditure incurred on projects for which the company believes no future income is likely to be generated. Expenditure on projects still in the assessment and evaluation stage are capitalised and are not included in this segment.

Profit from ordinary activities before related income tax expense increased by \$4.7 million (34.7%) to \$18.2 million.

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

- Spot nickel prices during the 2004 period were higher than in 2003.
- 2004 monthly nickel production was significantly higher than in 2003.
- 2004 unit operating costs were significantly lower than in 2003.

Auditor independence declaration

The Auditor's Independence Declaration on page 13 forms part of the Director's Report for the half-year ended 31 December 2004.

Rounding of amounts to nearest thousand dollars

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

This report is made in accordance with a resolution of the directors.



C M Bonwick
Director

Perth
21 February 2005

Consolidated statement of financial performance
for the half-year ended 31 December 2004

	Half Year	
	2004	2003
	\$'000	\$'000
Revenue from operating activities	44,906	33,398
Revenue from outside the operating activities	377	151
Revenue from ordinary activities	45,283	33,549
Raw materials and consumables used	(6,051)	(4,163)
Employee benefits expense	(5,669)	(4,408)
Depreciation and amortisation expenses	(4,438)	(4,104)
Borrowing costs expense	(439)	(736)
Exploration costs written off	(1,776)	(551)
Provision for mine rehabilitation	(114)	(30)
Other expenses from ordinary activities	(8,567)	(6,024)
	18,229	13,533
Profit from ordinary activities before income tax expense		
Income tax expense	(5,710)	(4,060)
Profit from ordinary activities after income tax expense	12,519	9,473
Profit from extraordinary item after related income tax expense	-	-
Net profit	12,519	9,473
Total revenues, expenses and valuation adjustments attributable to members of Independence Group NL and recognised directly in equity	-	-
Total changes in equity other than those resulting from transactions with owners as owners	12,519	9,473
	Cents	Cents
Basic earnings per share	15.31	13.86
Diluted earnings per share	11.80	10.05

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

Consolidated statement of financial position
as at 31 December 2004

	Notes	31 December 2004 \$'000	30 June 2004 \$'000
Current assets			
Cash assets		12,422	18,370
Receivables		19,712	13,677
Inventories		38	11
Other		19,179	9,910
Total current assets		51,351	41,968
Non-current assets			
Receivables		50	514
Investments accounted for using the equity method		564	564
Listed investments	5	11,846	-
Property, plant and equipment		8,546	8,252
Exploration and development expenditure		15,636	14,480
Tax assets		385	657
Mine acquisition and pre-production costs		1,724	2,062
Total non-current assets		38,751	26,529
Total assets		90,102	68,497
Current liabilities			
Payables		8,306	6,490
Interest bearing liabilities		4,179	7,371
Tax liabilities		6,035	4,414
Other		19,592	10,202
Total current liabilities		38,112	28,477
Non-current liabilities			
Interest bearing liabilities		4,754	5,289
Tax liabilities		2,917	3,686
Other		315	207
Total non-current liabilities		7,986	9,182
Total liabilities		46,098	37,659
Net assets		44,004	30,838
Equity			
Parent entity interest			
Contributed equity		19,815	13,777
Reserves		-	-
Retained profits	5	24,189	17,061
Total equity		44,004	30,838

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

Consolidated statement of cash flows
for the half-year ended 31 December 2004

	Half Year	
	2004	2003
	'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	40,134	26,492
Payments to suppliers and employees (inclusive of goods and services tax)	(19,098)	(14,235)
	21,036	12,257
Interest received	366	147
Borrowing costs	(439)	(736)
Income tax payment	(4,586)	-
GST refunded from ATO	-	-
Net cash inflow from operating activities	16,377	11,668
Cash flows from investing activities		
Payment for purchase of mine prospects	-	-
Payments for listed investments	(11,846)	-
Payments for property, plant and equipment	(2,646)	(1,520)
Payments for investments - bonds	-	(3)
Payments for capitalised research and development costs	-	(5)
Payments for exploration and development expenditure	(4,707)	(3,559)
Proceeds – sale of property, plant and equipment	4	4
Loans to associated company	(50)	-
Net cash (outflow) from investing activities	(19,245)	(5,083)
Cash flows from financing activities		
Proceeds from issues of shares	6,038	167
Repayment of borrowings	(3,727)	-
Payment of dividends	(5,391)	-
Proceeds from investments - bonds	-	490
Net cash inflow from financing activities	(3,080)	657
Net increase in cash held	(5,948)	7,242
Cash at the beginning of the reporting period	18,370	4,041
Effects of exchange rate changes on cash	-	-
Cash at the end of the reporting period	12,422	11,283

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

Note 1. Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Independence Group NL during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Note 2. Segment information

Primary reporting – business segments

Half-year 2004	Nickel mining \$'000	Exploration activities \$'000	Inter-segment eliminations/ unallocated \$'000	Consolidated \$'000
Total segment revenue	44,906	-	-	44,906
Unallocated revenue				377
Revenue from ordinary activities				45,283
Segment result	22,319	(3,276)	-	19,043
Unallocated revenue less unallocated expenses				(814)
Profit from ordinary activities before income tax expense				18,229
Half-year 2003	Nickel mining \$'000	Exploration activities \$'000	Inter-segment eliminations/ unallocated \$'000	Consolidated \$'000
Total segment revenue	33,398	-	-	33,398
Unallocated revenue				151
Revenue from ordinary activities				33,549
Segment result	14,522	(551)	-	13,971
Unallocated revenue less unallocated expenses				(438)
Profit from ordinary activities before income tax expense				13,533

Note 3. Equity securities issued

	Half-year 2004	2003	Half-year 2004	2003
	No. of Shares '000	No. of Shares '000	\$'000	\$'000
Issues of ordinary shares during the half-year				
Exercise of options issued under the Independence Group NL Employee Option Plan	1,000	250	347	87
Contributing shares paid up at 10 cents each	3,200	145	320	15
Listed options converted at 20 cents each	22,725	131	4,545	26
Unlisted options exercised at 45 cents each	1,750	-	788	-

Note 4. Foreign exchange and commodity contracts

	Half-year 2004	2003
	\$'000	\$'000s
Forward foreign exchange contracts	18,656	16,526
Futures commodity contracts	(48,436)	(62,963)
	<u>(29,780)</u>	<u>(46,437)</u>

The net fair value of forward foreign exchange contracts of \$18,656,180 is recognised in the Consolidated Statement of Financial Position at 31 December 2004. The net fair value on commodity contracts at 31 December 2004 has not been recognised in the Consolidated Statement of Financial Position. The net fair value of forward foreign exchange contracts and commodity contracts are based on the exchange rate and commodity prices prevailing at 31 December 2004 and have not been discounted.

Note 5. Other Information

	Half-year 2004	2003
	\$'000	\$'000s
(a) Reconciliation of retained profits		
Balance at the beginning of the half-year	17,061	(273)
Net profit attributable to members of Independence Group NL	12,519	9,473
Total available for appropriation	29,580	9,200
Dividends paid during the half-year	(5,391)	-
Balance at the end of the half-year	<u>24,189</u>	<u>9,200</u>
(b) Dividends paid		
Dividends paid during the half-year (fully franked)	<u>5,391</u>	-
(c) Investments in listed entities		
Investments in listed entities at cost	<u>11,846</u>	-

Note 6. Adoption of International Financial Reporting Standards

The 2004 Annual Report includes an explanation of the expected future impact on the Company of the adoption of Australian equivalents to International Financial Reporting Standards (“IFRS”). Details of the impact of the adoption of IFRS are included in note 33 to the 30 June 2004 financial statements which are incorporated in the 2004 Annual Report.

Since the preparation of the 30 June 2004 financial statements, AASB 6 *Exploration for and Evaluation of Mineral Resources* has been approved. The carrying value of the company’s exploration and development expenditure may be affected by the application of AASB 6. Although the effect of the application of this standard has not yet been quantified, the company believes that the amount of any adjustment required will be immaterial.

Note 7. Subsequent events

Subsequent to the end of the period the market value of the company’s investment in Matrix Metals Limited was \$4,502,159 below the carrying value of the investment. It is the current intention of the board to hold the investment long term and the company believes the investment to be fully recoverable. The investment has therefore not been written down to the current market value.

On 16 February 2005 the company announced an interim dividend of 3 cents per share. The dividend will be fully franked.

The directors declare that the financial statements and notes set out on pages 5 to 10:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that Independence Group NL will be able to pay its debts as and when they become due and payable.

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



C M Bonwick
Director

Perth
21 February 2005

To the members of Independence Group NL

Scope

We have reviewed the financial report of Independence Group NL for the half-year ended 31 December 2004 as set out on pages 6 to 12. The financial report includes the financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year. The Company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the Company to lodge the financial report with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the Company's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the director's of the company, a written Auditor's Independence Declaration.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Independence Group NL is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

BDO
Chartered Accountants & Advisers



G F Brayshaw
Partner

Dated: 21 February 2005
Perth, Western Australia



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GFB:MB:SS:16170

21 February 2005

The Directors
Independence Group NL
72 Melville Parade
SOUTH PERTH WA 6151

Dear Sirs

**DECLARATION OF INDEPENDENCE BY BDO CHARTERED ACCOUNTANTS TO
THE DIRECTORS OF INDEPENDENCE GROUP NL**

To the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of this Act in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to this review.

Yours faithfully

BDO
Chartered Accountants & Advisers

GF Brayshaw
Partner



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