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Before we discuss some of Independence Group NL's recent exploration results can you outline the financial position of the company and your ability to fund further exploration?

**MD Chris Bonwick**

We're producing very strong cash flow from our nickel operations. We're the lowest cost producer in Australia with an annual rate of production of about 9,000 tonnes of contained nickel at a time of very high nickel prices.

We can clearly fund our exploration activities from existing cash flow. For the nine months to 31 March 2005, our year to date profit was \$20.8 million. During the quarter we reduced our debt further to \$7.7 million and at the end of the quarter we held cash and net receivables of \$32 million (up from \$24 million at end December 2004). We have also just paid an interim dividend of three cents per share.

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Independence Group NL recently announced what you described as the most significant drill intercepts at the Long Mine since you purchased the mine in July 2002. Can you explain why they are so significant?

**MD Chris Bonwick**

We consider these drill intercepts as very significant because they are located in three different areas which are all outside the current resource envelope. The intercepts have very good grades and we're very hopeful that we can add to Long's mine life once we've explored them in more detail.

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You reported several intercepts outside the mine's current resource and reserve envelopes including 3.35 metres at 7.5% nickel, 2.1m at 19.1% nickel and 3.43m at 4.5% nickel. Can you explain the position of these intercepts relative to the current resource and reserve envelopes?

**MD Chris Bonwick**

We drill tested TEM anomalies to the north and south of Victor South and confirmed the anomalies are due to nickel sulphides. The most southerly intercept of 3.35 metres at 7.5% nickel is situated about 25 metres south of the existing Victor South decline, and the southern boundary of resources and reserves. This intersection is open in all directions and it indicates a possible southerly extension of the Victor South ore body.

The intercept of 2.1 metres at 19.1% nickel is situated to the north of the Victor South resource and it indicates a possible northerly extension of that ore body.

The intercept of 3.43 metres at 4.5% nickel is situated to the south of the Long resource and is around 50 metres from development openings. This intercept was also a direct result of drilling a TEM anomaly.

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Can you give any indication on the size of the possible ore bodies beyond the current resource envelope? Can you also put the grades in context?

**MD Chris Bonwick**

It's very early days because we've only drilled single holes into these areas but we can estimate the size and dimensions of the possible new ore bodies from the geophysical electromagnetic (EM) anomalies we've located and these anomalies indicate that the new areas could be quite large.

We believe that the most southerly intercept from Victor South hit a primary channel as opposed to re-mobilised sulphides. We didn't know that the primary channel continued to the south and we have 900m of untested channel on 100% tenure and the Gold Fields Nickel Royalty Area. We've only drilled one hole into the channel but the beauty about this intercept is that it contains about 60 centimetres of layered massive sulphides grading 20% nickel. We also drilled the geophysical TEM anomaly north of Victor South which returned 2.1 metres at 19.1% nickel. We've been able to discover these anomalies using our TEM technology and the Atlantis probe developed by EMIT. The Atlantis probe can locate conductors within a 40 metre radius around drill holes.

The intercepts indicate that the upper lava channel, the Gibb-Victor lava channel, continues at a very high tenor. This is ore of the highest grade lava channels in the world. Having high grade ore is very important for underground miners and if we can find more of this material it will translate into a longer mine life and greater cash flow for the operation.

The intercept of 3.43 metres at 4.5% was also very significant because it was drilled south of Long in an area beyond where the ore body was previously considered to have ended. There's just been no drilling in that area and the resource could now be wide open but we haven't done enough exploration to quantify the size of these possible extensions.

We'll be doing a lot of drilling in the next few months and then we'll be able to answer these questions in more detail.

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In September 2004, Independence announced a significant upgrade in reserves to 48,300 tonnes of nickel metal. Resources stood at 81,200 tonnes of nickel metal. In light of the recent drilling results, can you summarise the potential to add to mine life at Long Mine?

**MD Chris Bonwick**

Assuming that the new areas hang together they will certainly add to mine life given the grade of these intercepts and their proximity to existing workings, which means low capital expenditure to develop them. But we have to do the work first to define mineable resources in these areas – which could take 6-12 months.

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What are your current exploration objectives at the Long Mine?

**MD Chris Bonwick**

In the Long mining complex, we're currently producing at around 9,000 tonnes of contained nickel per annum from three separate underground mines; remnant mining of the Long and Gibb South ore bodies and new development of the Victor South series of shoots.

We would like to find another stand-alone deposit which is either accessible from the Victor South area or the Long South exploration decline so that we could increase production to, say, 15,000 tonnes of contained nickel per annum. Long is currently operating at close to capacity given its geotechnical environment and we have a robust four year mining plan defined for Victor South.

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You've just started underground exploration drilling from the new Long South decline. Can we expect the exploration results to flow from Long on a more regular basis?

**MD Chris Bonwick**

Yes, we do expect exploration and drilling results to flow from Long on a more regular basis. We're now drilling the second hole from the new Long South decline just south of the lower level of Long. We don't know what to expect until we get the results from the two holes. We'll put our Atlantis probe down the holes and see if we can find some conductors. We've already located a conductor from one of our scout holes drilled ahead of the decline just south of where we're drilling now.

We budgeted \$2 million for exploration at Long this year but we've only spent around \$950,000 so far, which excludes the Long South exploration decline. There are a number of reasons for this. Last year we had a big drilling campaign and increased our reserves quite substantially. We then wanted to properly evaluate this data and incorporate it into our 3D geological model. That has taken time but it's already delivering results. We're finding many EM conductors, which are not part of the original resource. We have two quite strong EM conductors north and south of Long in the upper levels and we want to drill those as well.

The Long ore body is complex because it has been squeezed around and the ore can vary from widths of only a few centimetres up to 2.5 metres. It's hard to estimate ore reserves so we have been conservative in the envelopes defined to date. However the development of our first two structurally complex stand-alone mines at Gibb South and Victor South, without the influence of pre-existing workings, has been extremely successful with both mines significantly outperforming budget. This is a tribute to the Long teams' skills in reserve definition, development and mining.

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In recent months Independence has announced very encouraging gold intercepts at the Tropicana East Joint Venture (including 14 metres at 2.2 g/t) and the Giant Well Project (including 7m at 4 g/t and 3m at 86 g/t) and you also announced an option over 100% of the historically high grade Francis Furness Gold Mine. Have these projects now moved to the top of your gold projects in terms of potential? Can you summarise the status of your other gold exploration projects?

**MD Chris Bonwick**

We have nine significant gold projects at the moment. The Group's exploration strategy is to find at least two other mines that can produce in the bottom third of cash costs. We're looking for nickel, gold, and copper. We're looking for gold targets close to existing infrastructure. Francis Furness is close to underutilised mills and Giant Well is only 40km from Leonora. We have another three or four interesting gold plays including Dalwallinu (IGO 100%) and Mt Padbury (90%) and others which also have strong geochemical anomalies.

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Why do you think that Francis Furness has significant depth potential?

**MD Chris Bonwick**

The Francis Furness system lies within the same interpreted structural corridor as the Marvel Loch Gold Mine where Sons of Gwalia recorded deep drill intersections of gold bearing lodes and veins. Francis Furness is a similar style deposit with the same alteration assemblages in the wall rocks, so we believe it has significant untested depth potential. Recent drilling by the current leaseholders at depths of 150 metres to 210 metres returned an intercept of 2.8 metres at 20.1 g/t gold. That is one of the deepest in the area because Francis Furness was mined to a depth of only around 150 metres.

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The most recent drilling at Francis Furness has returned high grades but over fairly narrow intersections. Are mining costs likely to be high? What are your exploration targets for Francis Furness?

**MD Chris Bonwick**

Before we invest in any new projects we conduct a thorough due diligence on any available information including planning possible mining scenarios. We calculated that Francis Furness will be clearly economic if we can mine 1,000 ounces per vertical metre. You are right that the quartz reefs are narrow but many similar systems have been mined economically. For example we might end up with an ore body that is only two metres wide but it could be 400 metres long with grades of 15g/t.

Drilling at Francis Furness should commence in the next few weeks.

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What's the latest on your regional nickel exploration?

**MD Chris Bonwick**

Our regional nickel exploration is going well. We've done a lot of preparatory work locating potential targets using our conceptual models and the mineral-geochemical databases from WMC and De Beers. We're finding lots of nickel geochemical anomalies in new areas that have associated TEM conductors.

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In late November 2004, Independence announced that it had acquired a 19.96% stake in Matrix Metals Limited. Can you give an outline of the current work programme for Matrix?

**MD Chris Bonwick**

Soon after we listed Independence on the ASX, we set some investment guidelines for acquisitions or new projects. We prefer projects with production costs in the lower third of worldwide costs, a long mine life, appropriate capital costs, potential for strong cash generation within an appropriate timeframe and significant exploration upside. Long has met those criteria easily. We paid \$15 million for the mine and infrastructure and we were generating cash within seven

weeks of start-up. We've generated over \$70 million up until March 2005, more than doubled the start-up reserve and confirmed significant exploration upside.

We believe that the copper-gold resources of Matrix could eventually meet those same criteria. A long mine life is possible because Matrix has estimated a resource containing 230,000 tonnes of copper, and I consider that there is major upside on that figure – just from what my resource assessment team has seen by visiting and analysing the various deposits and prospects already known.

Some commentators may have thought we just made the Matrix investment out of the blue. We did several months of due diligence on publicly available information before we purchased the stock. The main challenge is whether Matrix can produce copper at low cash costs. We await Matrix's future exploration and feasibility results with interest.

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How does that fit in with your long term growth strategy?

We want to create another mid-cap Australian resource house. We're now in the ASX 300 index and if you look at some of our valuation metrics, such as price earnings ratio, we're just about the cheapest metals mining stock in the ASX 300.

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Thank you Chris.

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For further information on Independence Group please visit [www.igo.com.au](http://www.igo.com.au) or call Chris Bonwick on (08) 9367 2755.

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