INDEPENDENCE GROUP NL AND CONTROLLED ENTITIES
ABN 46 092 786 304

PRELIMINARY FINAL REPORT INFORMATION – 1 JULY 2016 TO 30 JUNE 2017
LODGED WITH THE ASX UNDER LISTING RULE 4.3A

Key Information – Results for Announcement to the Market

	$'000	% Increase over Previous Corresponding Period
Revenue from ordinary activities	**421,926**	**2.1**
Profit from ordinary activities after tax attributable to members	**17,011**	**n/a**
Net profit attributable to members	**17,011**	**n/a**

The previous corresponding period is the year ended 30 June 2016.

	2017	2016
Basic earnings (loss) per share (cents)	**2.93**	**(13.12)**
Diluted earnings (loss) per share (cents)	**2.92**	**(13.12)**
Net tangible assets per share ($)	**2.95**	**2.85**

The major factors contributing to the above variances are as follows:

- Acquisition and integration costs reduced by $61.2 million as the previous period included costs relating to the acquisition of Sirius Resources NL.
- The Jaguar Operation's profit before tax for the period increased by $16.2 million to $33.5 million during the year. This was primarily due to higher realised A$ zinc and copper prices resulting in an increase in revenue of 3% to $137.4 million, together with production and other operating costs being lower for the period compared to the previous year. Underground production from Bentley was lower than planned during the year which impacted on processing plant performance due to the constraint in mining. Cash costs per payable pound increased by 43% to $0.76/lb compared to $0.53/lb in the prior year;
- The Tropicana Operation contributed $58.3 million in profit before tax compared to $64.3 million in the prior period. Revenue decreased by 1%, primarily due to the cessation of grade streamlining in December 2015. The average A$ gold price achieved increased by 4% compared to FY16, however this was offset by lower gold sales of 5% and higher cash costs of $1,162 per ounce; and
- The Long Operation's profit before tax increased by $4.2 million compared to the previous year. Revenue increased by 10% to A$70.5 million due to higher average realised A$ nickel price offset by marginally lower nickel sold. This result also included $6.4 million of retention and redundancy costs associated with the less than one year mine life of the Long Operation.
- The current year results include an impairment of the Stockman Project of $17.1 million after tax.

Further details and analysis can be found in the Operating and Financial Review contained in the Directors' Report of the Financial Report following this Appendix.

The Company has announced the payment of a final dividend of 1 cent per share, to be paid on 22 September 2017. The final dividend will be fully franked.

During the year, the Company acquired Windward Resources Ltd (Windward) by way of an off-market takeover. Windward was a listed public company holding a number of tenements within the Fraser Range region. The takeover comprised a cash price of $0.19 per share and the acquisition was completed in December 2016.

Other than the acquisition described above, there have been no other acquisitions of entities or losses of control of entities during the period.

The accounts have been audited by BDO Audit (WA) Pty Ltd. The accounts are not subject to dispute or qualification.

Independence Group NL

ABN 46 092 786 304

Financial report
for the year ended 30 June 2017

Suite 4, Level 5 South Shore Centre, 85 South Perth Esplanade, South Perth, Western Australia
PO Box 496, South Perth, Western Australia, 6951

Telephone: +61 8 9238 8300
Facsimile: +61 8 9238 8399

Email: contact@igo.com.au
Web: www.igo.com.au

Independence Group NL ABN 46 092 786 304
Financial report - 30 June 2017

Contents

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Independence Group NL (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors

The following persons held office as Directors of Independence Group NL during the whole of the financial year and up to the date of this report, unless otherwise noted:

Peter Bilbe
Peter Bradford
Debra Bakker
Peter Buck
Geoffrey Clifford
Keith Spence
Neil Warburton

Debra Bakker was appointed as a Non-executive Director on 14 December 2016 and continues in office at the date of this report.

Principal activities

The principal activities of the Group during the financial year were non-operator gold mining from the Company's 30% interest in the Tropicana Gold Mine, nickel mining at the Long Operation, zinc and by-product mining at the Jaguar Operations, development of the Nova Project and ongoing mineral exploration.

Dividends

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

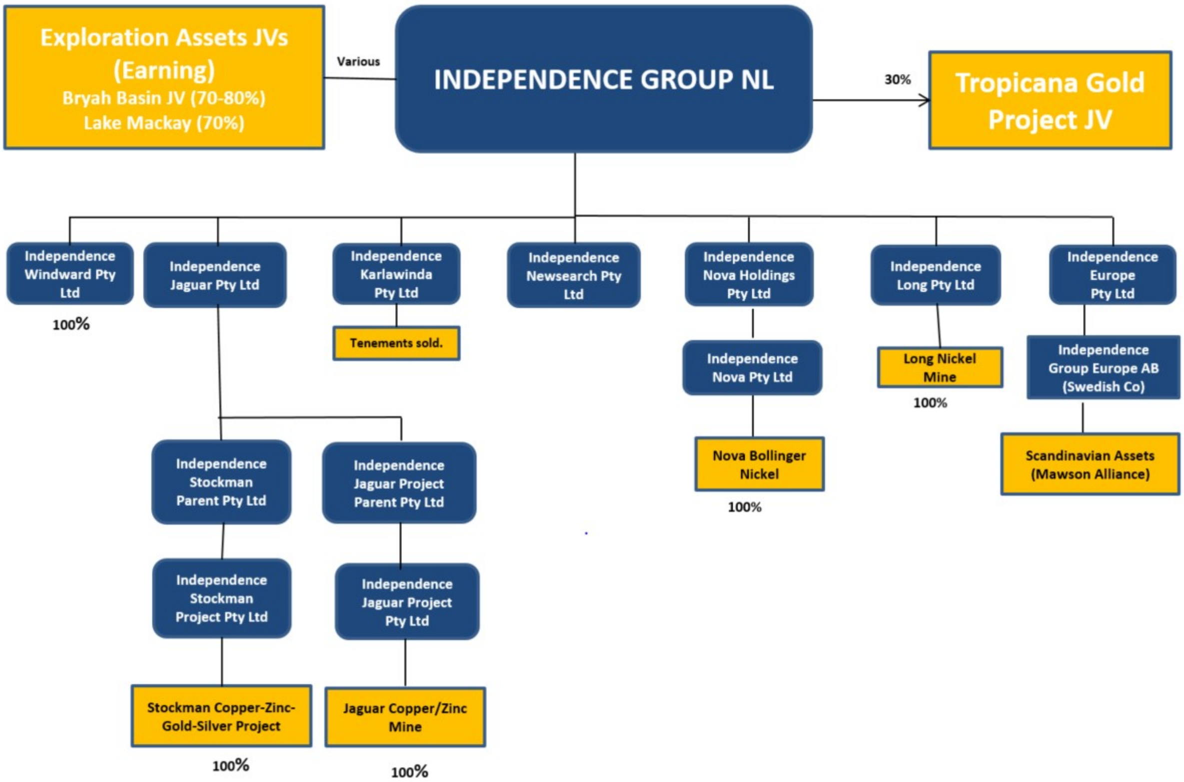
	2017 $'000	2016 $'000
Final ordinary dividend for the year ended 30 June 2016 of 2.0 cents (2015: 2.5 cents) per fully paid share	**11,734**	12,786
Interim ordinary dividend for the year ended 30 June 2017 of 1.0 cent (2016: nil cents) per fully paid share	**5,867**	-
	17,601	12,786

In addition to the above dividends, since the end of the financial year the Company has announced the payment of a final ordinary dividend of $5,867,000 (1 cent per fully paid share, fully franked) to be paid on 22 September 2017.

Operating and financial review

Independence Group NL is a company listed on the Australian Securities Exchange (ASX:IGO). The Company has been listed on the ASX since 17 January 2002, having traded as Independence Gold NL from 17 January 2002 to 19 December 2003.

Operating and financial review (continued)



The Group currently has the following operations in the production phase in Western Australia:

- The Tropicana Gold Mine (IGO: Non-operator joint venturer; 30% owned) is located 330km east northeast of Kalgoorlie. The Operation comprises approximately 3,000km^2 of tenements (excluding the Beachcomber and Salt Creek joint venture tenure) stretching over more than 275km in strike length along the Yilgarn Craton and Fraser Range Mobile Belt Collision Zone. The Company targeted and pegged the area containing the current Ore Reserves in 2001. AngloGold Ashanti Australia Limited farmed into the project in 2002, discovering Tropicana, Havana and the Boston Shaker gold deposits in 2005, 2006 and 2010 respectively. The gold deposits occur over a 5km strike length with gold mineralisation intersected to a depth of 1km vertically beneath the natural surface. The decision by the Tropicana Joint Venture partners to develop the Tropicana Gold Mine was announced in November 2010 following a positive bankable feasibility study assessment. In early 2011, construction commenced with the site access road, followed by key site infrastructure including an aerodrome, accommodation village, borefields and processing plant. Mining of the Havana deposit commenced in 2012.

  Commissioning of the processing plant occurred in 2013, with the first gold poured in September 2013. In 2016, the gas pipeline project, which included the installation of 17 gas fired generators, was completed.

  The original designed nameplate capacity of the processing plant of 5.8Mtpa was achieved in March 2014. In 2016 and early 2017, the processing plant went through a redesign and optimisation project to increase the throughput capacity to 7.5Mtpa, a rate at which Tropicana was able to demonstrate in the second half of FY17.

Operating and financial review (continued)

- The Jaguar Operation, 100% owned, is located 60km north of Leonora and 300km north of Kalgoorlie in Western Australia and was acquired by the Company in 2011 through the acquisition of Jabiru Metals Limited.

  The Jaguar Operation comprises approximately 475 square kilometres of tenements situated on tenure that hosts a corridor of prospective stratigraphy. The prospective corridor has hosted three economically viable volcanogenic massive sulphides (VMS) ore bodies. The first deposit discovered was Teutonic Bore in 1976. The Jaguar deposit was discovered in 2002 (now mined out), approximately 4km south of Teutonic Bore. All mining is from the Bentley deposit located another 4km south of Jaguar, which was discovered in 2008.

  The Operation now consists of the Bentley zinc-copper-silver-gold underground mine, the Jaguar processing facility, administration infrastructure and the accommodation village. All ore is processed at the Jaguar concentrator, producing both a copper concentrate and a zinc concentrate, which is trucked to the port of Geraldton for export. The copper concentrate contains significant levels of silver and gold as by-products, which attract precious metal credits that contribute significantly to the Group’s revenues and cash flows. The zinc concentrate has minor amounts of silver in its concentrate.

  The Jaguar Operation has more recently undergone a number of value enhancement programs, one of which has demonstrated possible additional value through the discovery of the Triumph ore deposit, which pre-feasibility studies indicate will extend the Jaguar Operation’s mine life to at least 2022. In addition, a new lens, the Bentayga lens which is a down plunge of the Arnage lens at the Bentley deposit, has been discovered with a number of high grade intersections.

- The Long Operation, 100% owned, located near Kambalda in Western Australia. The Company acquired the Long Operation from BHP Billiton Nickel West Pty Ltd (BHPB Nickel West) in September 2002. The mine was successfully re-commissioned in October 2002 and has been operating successfully and safely since then.

  Since recommissioning, and through to 30 June 2017, the Long Operation has mined 3.4Mt ore for 133,000t of contained nickel metal and has achieved exploration success with the discovery of the McLeay (2005) and Moran (2008) ore bodies. At the time of purchasing the Long Operation, the Group entered into an offtake agreement with BHPB Nickel West whereby the ore produced from the mine is delivered to the adjacent BHPB Nickel West Kambalda Nickel Concentrator for toll treatment and production of nickel concentrate. The current offtake agreement with BHPB Nickel West expires in February 2019.

  Based on current life of mine plans, the Long Operation will reach the end of its Ore Reserves and cease mining operations towards the end of FY18. The mine life has not been able to be extended due to recent near mine drilling and exploration programs being unsuccessful. The Company currently expects the mine will go into Care and Maintenance and to continue exploration.

- The Nova Operation, 100% owned, was acquired as a development stage project via the acquisition of Sirius Resources NL (Sirius) in September 2015. Sirius was an ASX listed minerals exploration and development company with a key focus on the development of the Nova Project, located east of Norseman in Western Australia. The Nova Operation comprises an underground mine consisting of two orebodies, Nova and Bollinger, as well as a 1.5Mtpa processing facility that will produce a nickel concentrate and a copper concentrate, and associated infrastructure.

  Significant progress on Nova was achieved during FY17, with commercial production declared with effect from 1 July 2017, and progression of the ramp up of mining and processing activities towards the 1.5Mtpa nameplate production capacity.

The Company is committed to transformational value creation through exploration discovery. During FY17, the Group has continued to build and develop its unique portfolio of highly prospective brownfields opportunities and belt scale greenfield projects. Key work activities completed during this period include:

Operating and financial review (continued)

Brownfields Exploration

- Tropicana Gold Mine - Resource extension drilling program continued during the first half of FY17 to form the basis of the Mineral Resource for the Long Island Study, based on a strip mining strategy designed to significantly reduce waste mining costs. Mineralisation remains open with high-grade ore shoots defined at both Boston Shaker and Havana South. Additional drilling will be completed in FY18 to test the down plunge extensions on these shoots as part of an underground mining study.

- Jaguar Operation - Exploration activities during FY17 were focused on three key work streams including:
  - Underground drilling at Bentley which resulted in the discovery of a new massive sulphide lens named Bentayga, located approximately 250m to the south of the main Arnage lens;
  - Resource definition drilling on the Triumph deposit to upgrade the Mineral Resource from Inferred to Indicated status on the upper Stag lens, which formed the basis of the Triumph Feasibility Study; and
  - Reconnaissance exploration on the northern portion of the tenement portfolio at Heather Bore and Wilson Creek prospects.

- Nova Project - The focus for the Nova Project in FY17 has been on the underground grade-control drilling, with up to five underground diamond drill rigs executing this work program. The grade-control drilling is scheduled for completion towards the end of CY17 at which point the underground drilling focus will shift to exploration for resource extensions. Surface exploration activities include diamond drill testing of a number of electromagnetic plates along with the completion of a 2D seismic traverse.

- Long Operation - Reprocessing and reinterpretation of 3D seismic data has resulted in the development of a number of exploration targets at Long. These targets will be tested as part of the FY18 exploration program.

Greenfields Exploration

- Fraser Range - During FY17, the Company has consolidated a prospective tenement package over the Fraser Range of approximately ~12,000km^2. The tenement package is under explored and considered highly prospective for nickel, copper and cobalt mineralisation. Systematic geophysical and aircore drilling has commenced during the second half of FY17.

- Lake Mackay - Work programs during FY17 have included a regional aeromagnetic survey and the completion of an 18 hole RC program which lead to the discovery of the Grapple Prospect. Encouraging drilling intersections were reported and have defined mineralisation over a strike length of 300m with mineralisation remaining open to the west. Negotiations with the Central Land Council to gain access to the entire tenement package remains ongoing.

This review should be read in conjunction with the financial statements and the accompanying notes.

The objective and strategy of the Group is to create long-term shareholder value through the discovery, acquisition, development and operation of low cost and high grade gold and base metals projects. Since incorporation in 2002, and including the current financial year, the Company has returned to shareholders in excess of $164.2 million by way of a combination of $154.5 million fully franked dividends and a $9.7 million share buy back in 2009. The Company currently has 586,747,023 shares outstanding.

The Group’s future prospects are dependent on a number of external factors that are summarised towards the end of this report.

At the end of the financial year, the Group had cash and cash equivalents of $35.8 million and marketable securities of $15.3 million (2016: $46.3 million and $5.0 million respectively).

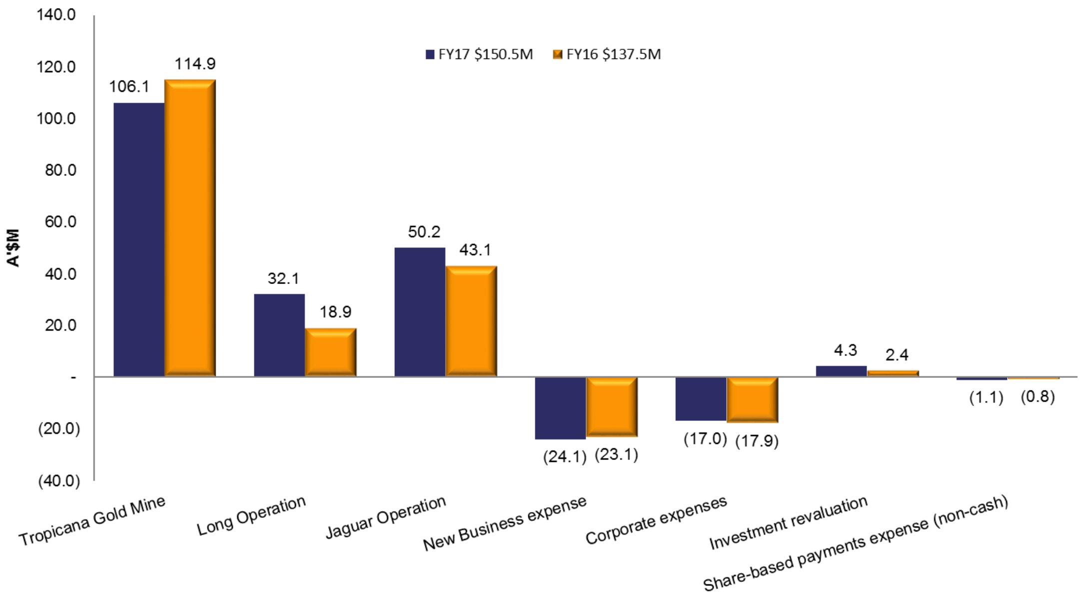
Cash flows from operating activities for the Group were $77.7 million, a result of strong operational cash flows from the Tropicana, Long and Jaguar operations. Cash flows from operations were higher at Tropicana as a result of lower production costs, with payments reducing by $8.7 million, offset by lower gold and silver sales receipts. Long Operation delivered exceptional operational and financial results throughout the year, with cash from operating activities up 55% to $28.8 million. Jaguar’s contribution to cash from operations was $40.9 million. Included in cash from operating activities were two significant stamp duty payments made to the Western Australian State Government during the year. These comprised of $52.5 million for the interim assessment of Sirius Resources Limited’s Nova acquisition (in September 2015) and a $5.7 million payment in relation to the completed duties assessment for the Company’s acquisition of Jabiru Metals Limited (Jaguar Operation) in 2011. Lastly, payments for exploration expenditure amounted to $18.0 million for the year.

Operating and financial review (continued)

Cash outflows from investing activities decreased to $273.3 million for the year, compared to $430.4 million in FY16. This primarily comprised of the continued funding of the development of the Nova Operation, with the net project capital expenditure amounting to $165.6 million for the year. However, cash outflows from investing activities were lower than the prior year due to the FY16 year containing a cash payment for the acquisition of Sirius ($202.1 million, net of cash acquired). On 5 October 2016, the Company announced a takeover bid for Windward Resources Ltd, which resulted in cash outflows, net of cash acquired, of $17.6 million. Other movements in cash outflows from investing activities include $14.6 million associated with acquisition of property, plant and equipment, $13.4 million cash outflow in relation to borrowing costs on the syndicated debt facility and $6.0 million paid for other investments.

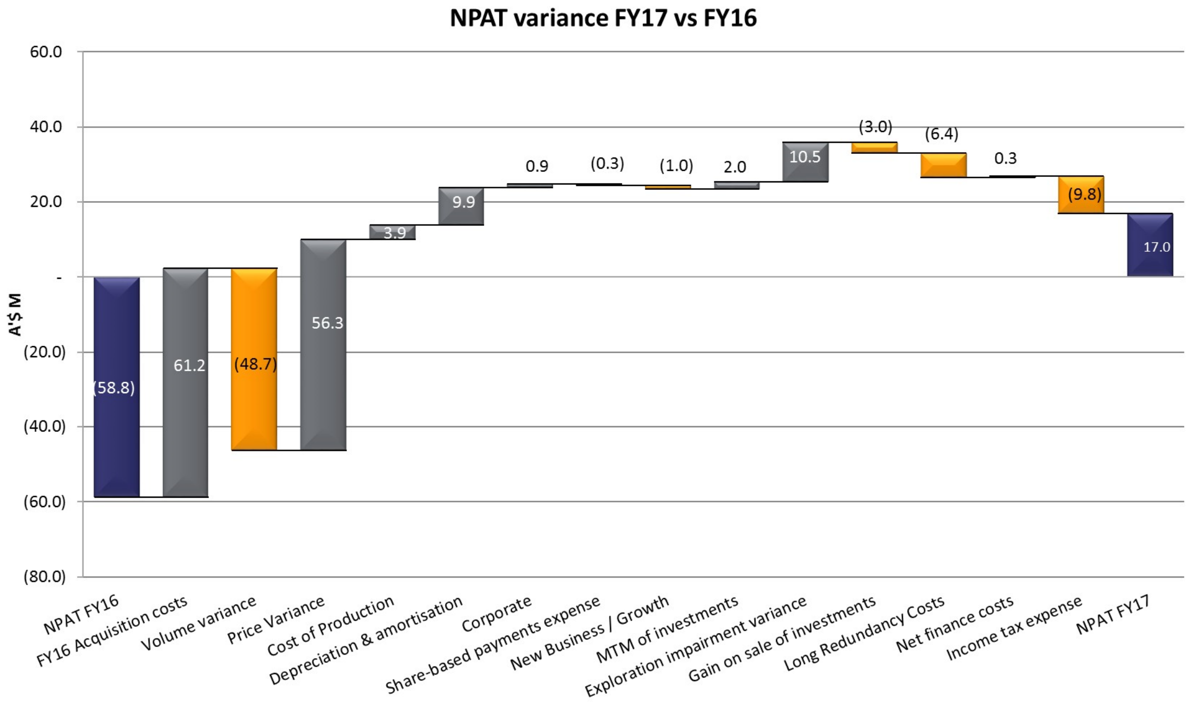
Cash flows from financing activities during the financial year included the successful completion of an equity placement to raise $281.4 million, with associated capital raising costs of $7.5 million. As a result, the Company repaid $71.0 million of debt, reducing the Company's outstanding debt to $200.0 million, and cancelled a further $79.0 million of its Term Loan Facility. As at 30 June 2017, the Company's facilities comprise $200.0 million in drawn term debt and a $200.0 million revolving credit facility, which remains undrawn at the end of the financial year. The term debt is scheduled to be repayable bi-annually over seven equal instalments commencing in September 2017 and ending September 2020, though the Company retains flexibility to repay debt earlier.

During discussions of the operating results of its business, the Group's Board and management monitor a measure commonly understood as Underlying EBITDA. The Board considers this measure to be important to the Group and investors alike, as it represents a useful proxy to measuring an operation's cash generating capabilities. Underlying EBITDA is calculated as profit before tax adjusted for finance costs, interest income, asset impairments, retention and redundancy costs, depreciation and amortisation. Underlying EBITDA increased relative to the previous financial year as can be seen in the following chart:

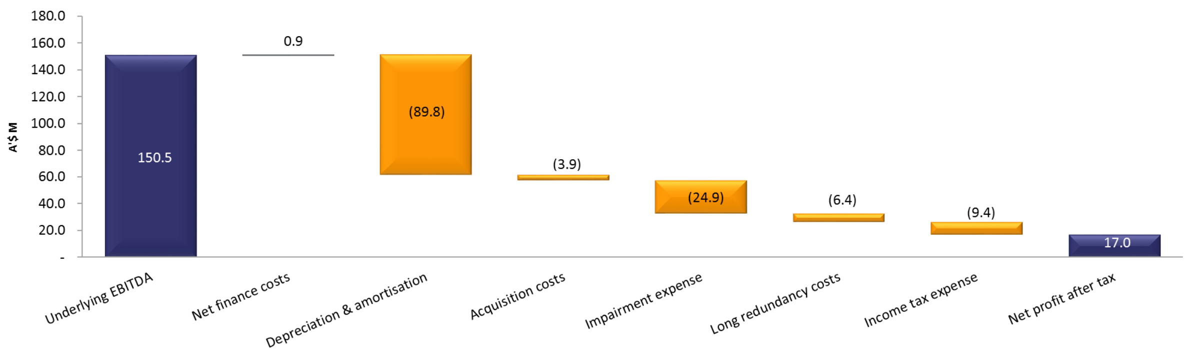


Net profit after tax (NPAT) for the year was $17.0 million, compared to a loss of $58.8 million in the previous financial year. The current year gain includes an impairment of the Stockman Project of $17.1 million after tax, resulting from the previously announced sale which is expected to be completed in FY18. In addition, NPAT was also impacted by the recognition of $6.4 million of retention and redundancy costs associated with the less than one year anticipated remaining mine life of the Long Operation.

Operating and financial review (continued)



Below is a reconciliation of Underlying EBITDA to NPAT for FY17:



Depreciation and amortisation expense of $89.8 million was $9.9 million lower than the previous financial year (2016: $99.7 million), in line with the lower reserve depletion throughout the year, and includes $47.5 million relating to Tropicana, $16.5 million to Jaguar Operation, $24.5 million to Long Operation and the balance to corporate assets.

Operating and financial review (continued)

Operations

Tropicana Operation

Tropicana revenue for the period was $211.9 million, marginally lower than the previous year result of $215.0 million. The Company's share of gold refined and sold was 128,601 ounces, down 5% on the prior year as a result of lower grade milled following the cessation of grade streaming in mid-FY16. This was partially offset by an increase in ore milled for the year, a total of 7.3 million tonnes, as a result of a plant throughput optimisation project completed during FY17. The average AUD gold price achieved throughout the period was $1,649 per ounce, an increase of $71 per ounce compared to the previous period.

Cash costs per ounce produced, which comprises the costs of producing gold at the mine site and includes credit adjustments for waste stripping costs and inventory build and draw costs, were $817 per ounce, while All-in Sustaining Costs (AISC) per ounce sold were $1,162 per ounce. AISC comprises of cash costs and capitalised sustaining deferred waste stripping costs, sustaining exploration costs, sustaining capital and non-cash rehabilitation accretion costs. AISC excludes improvement capital expenditure and other sustaining or expansion exploration expenditure.

Total Tropicana assets increased by 23.5% due to ongoing contributions by the Company to the operation by way of cash calls paid to the joint venture manager ($154.9 million for the year). Tropicana liabilities largely remained steady, reducing by $2.7 million to $34.0 million.

During the year, a total of 7.9Mt of full grade ore (>0.6g/t), 1.0Mt of marginal ore (grading between 0.4 & 0.6g/t Au) and 73.2Mt of waste material was mined, with the average run-of-mine grade for full grade ore (>0.6g/t Au) being 2.05g/t Au for the year. Ore milled was 7.3Mt, which was up 12% on the prior year as a result of the processing plant optimisation work, while grade milled was 2.07g/t for FY17.

At year end, the capitalised run of mine stockpile totalled 9.5Mt grading an average of 0.93g/t (2016: 9.0Mt at 0.96g/t).

Based on current Ore Reserves, the mine currently has a life of approximately 7.5 years.

The table below outlines the key results and operational statistics during the current and prior year.

Tropicana Gold Mine		**2017**	**2016**
Total revenue	*$'000*	**211,915**	214,998
Segment operating profit before tax	*$'000*	**58,300**	64,330
Total segment assets	*$'000*	**1,037,257**	840,174
Total segment liabilities	*$'000*	**34,071**	36,813
Gold ore mined (>0.6g/t Au)	*'000 dmt*	**7,900**	7,289
Gold ore mined (>0.4 and 0.6g/t Au)	*'000 dmt*	**975**	1,210
Waste mined	*'000 dmt*	**73,249**	50,350
Gold grade mined (>0.6g/t)	*g/t*	**2.05**	2.13
Ore milled	*'000 dmt*	**7,326**	6,528
Gold grade milled	*g/t*	**2.07**	2.39
Metallurgical recovery	*%*	**89.1**	89.3
Gold recovered	*ounces*	**431,005**	448,546
Gold produced	*ounces*	**431,625**	448,116
Gold refined and sold (IGO share)	*ounces*	**128,601**	135,864
Cash Costs	*$ per ounce produced*	**817**	730
All-in Sustaining Costs (AISC)*	*$ per ounce sold*	**1,162**	918

* All-in Sustaining Costs is a measure derived by the World Gold Council. On 27 June 2013, the Council released a publication outlining definitions of both Cash Costs and All-in Sustaining Costs.

Operating and financial review (continued)

Operations (continued)

Long Operation

The Long Operation continued to supply ore to BHPB Nickel West under its ore tolling agreement, whereby the Group is paid for the nickel metal contained in the ore mined, less applicable ore toll charges and payability discounts. Total revenue increased by 10% during FY17, due to 4% higher realised AUD nickel prices combined with favourable quotation period adjustments. Production continued around the lower volumes following a restructure implemented in FY16 which discontinued a number of mining methods, however this had a positive impact on cash costs.

Nickel metal production year on year was unchanged with higher grades offsetting lower tonnes mined. During the year a total of 205,372t of ore was mined, sourced from Moran (72%), Long Lower (22%) and McLeay (6%), with the majority of ore continuing to be mined from long hole stoping. Payable cash costs including royalties (net of copper credits) were lower at $3.28/lb (2016: $3.67/lb).

Based on current Ore Reserves, the mine will cease mining operations within the next 12 months.

The table below highlights the key results and operational statistics during the current and prior year.

Long Operation		**2017**	**2016**
Total revenue	*$'000*	**70,475**	63,926
Segment operating (loss) profit before tax	*$'000*	**716**	(3,532)
Total segment assets	*$'000*	**38,693**	65,738
Total segment liabilities	*$'000*	**40,402**	35,200
Ore mined	*tonnes*	**205,372**	215,337
Nickel grade	*head %*	**4.11**	3.94
Copper grade	*head %*	**0.29**	0.28
Tonnes milled	*tonnes*	**205,372**	215,337
Nickel delivered	*tonnes*	**8,433**	8,493
Copper delivered	*tonnes*	**592**	610
Metal payable (IGO share)			
- Nickel	*tonnes*	**5,098**	5,125
- Copper	*tonnes*	**240**	247
Ni cash costs and royalties*	*A$ per pound of payable metal*	**3.28**	3.67

* Cash costs include credits for copper.

Jaguar Operation

The Jaguar Operation continued to ship copper and zinc concentrates out of the Geraldton port throughout the year. The Company recently completed an internal value enhancement study that included a series of metallurgical test programs, combined with engineering design, costing and financial evaluations, to assess the feasibility of producing a new precious metal concentrate. The study work demonstrated that the process plant improvements are technically and financially feasible and would deliver significant value for the business with the additional extensions to mine life through the development of Triumph and/or Bentayga. The project would involve the upgrade of the Jaguar process plant from a two-product flotation circuit to a four-phase, three product flotation circuit that would produce higher-grade copper and zinc concentrates through higher metallurgical recoveries from all Bentley ores. Additionally, a new third concentrate would be produced consisting of lead, gold and silver, referred to as a High Precious Metals (HPM) concentrate.

Revenue for FY17 increased by $4.5 million as a result of higher AUD dollar zinc metal prices and lower treatment and refining costs following a renewed purchase contract during the year. Segment operating profit before tax increased by $16.2 million over the prior year, due to $9.2 million lower depreciation and amortisation expense and $4.5 million higher segment revenue, while production costs were in line with the previous financial year.

The Bentley underground mine underperformed during the year, with lower than planned underground production which was a result of ventilation issues delaying access to continuous ore supply from higher grade stopes as well as reducing the amount of development ore mined. As a result, ore was supplied from lower grade remnant areas within the upper levels of the mine. Ore mined was 444,700 tonnes, at a zinc grade of 8.3% and copper grade of 1.3%.

Operating and financial review (continued)

Operations (continued)

Jaguar Operation (continued)

Processing plant performance was constrained by the availability of ore from the Bentley underground mine, resulting in 62,093 fewer tonnes milled, which was 12.3% lower than the prior year.

Based on current Ore Reserves only, the Bentley underground mine is currently anticipated to have a life of approximately 2.5 years.

The table below outlines the key results and operational statistics during the current and prior year.

Jaguar Operation		**2017**	**2016**
Total revenue	*$'000*	**137,470**	132,987
Segment operating profit before tax	*$'000*	**33,534**	17,317
Total segment assets	*$'000*	**175,917**	145,892
Total segment liabilities	*$'000*	**25,665**	22,816
Ore mined	*tonnes*	**444,700**	497,751
Copper grade	*%*	**1.3**	1.7
Zinc grade	*%*	**8.3**	8.9
Silver grade	*g/t*	**134**	128
Gold grade	*g/t*	**0.52**	0.75
Ore milled	*tonnes*	**443,485**	505,578
Metal in concentrate			
- Copper	*tonnes*	**4,565**	7,412
- Zinc	*tonnes*	**32,638**	39,335
- Silver	*ounces*	**1,376,521**	1,603,565
- Gold	*ounces*	**2,532**	4,880
Metal payable (IGO share)			
- Copper	*tonnes*	**4,377**	7,122
- Zinc	*tonnes*	**27,067**	32,634
- Silver	*ounces*	**951,182**	1,071,989
- Gold	*ounces*	**2,328**	4543
Zinc cash costs and royalties*	*A$/lb total Zn metal produced*	**0.76**	0.53

* Cash costs include credits for copper, silver and gold.

Nova Operation

The Nova Operation is based on a designed 1.5Mtpa underground operation with decline access, 1.5Mtpa processing plant and associated infrastructure and services. The principal stoping methods is sub-level open stoping with paste fill to maximise extraction of the orebody. The stopes measure up to 25 metres by 25 metres horizontally and 70 metres in height. The processing plant comprises conventional crushing and grinding by open circuit SAG mill, followed by a ball mill in closed circuit, and sulphide flotation to produce separate copper and nickel concentrates.

Significant progress was achieved during FY17 to ramp up Nova mining, with the mine contractor Barminco continuing to advance development and stoping, with the emphasis shifting to production drilling and stoping activities toward the end of the financial year.

Mine design and scheduling continues to be optimised to reflect the increased understanding of the orebody through the ongoing grade control drilling program and ongoing mining activity. This work has delivered further reductions in total metres of development whilst focusing on operational flexibility and the number of mining fronts that can be brought on line in FY18.

Since commissioning in October 2016, the processing plant has been constrained by ore production from underground and, as such, has operated on a campaign basis. Campaign processing has allowed the process design and installed equipment to be tested but has not provided opportunity for the process to be optimised. With the commencement of mining of the first of the larger stopes from the Nova underground mine, the processing plant transitioned to continuous operations towards the end of June 2017.

Operating and financial review (continued)

Operations (continued)

Nova Operation (continued)

Based on current Ore Reserves, the Nova mine is currently anticipated to have an initial life of approximately 10 years.

External factors affecting the Group's results

The Group operates in an uncertain economic environment and its performance is dependent upon the result of inexact and incomplete information. As a consequence, the Group’s Board and management monitor these uncertainties and mitigate the associated risk of adverse outcomes where possible. The following external factors are all capable of having a material adverse effect on the business and will affect the prospects of the Group for future financial years.

Commodity prices

The Group’s operating revenues are sourced from the sale of base metals and precious metals that are priced by the London Metals Exchange and, as the Group is not a price maker with respect to the metals it sells, it is, and will remain, susceptible to adverse price movements. The Group mitigates its exposure to commodity prices through a financial risk management policy in which a percentage of anticipated usage can be hedged. To this end, gold hedging in FY18 and FY19 represents approximately 42% and 30% respectively of the Group's share of forecast annual gold production.

The Company has also initiated diesel hedging in order to protect against increases in oil prices. As at year end, the Company had hedged approximately 75% and 19% of anticipated usage for FY18 and FY19 respectively.

Exchange rates

The Group is exposed to exchange rate risk on sales denominated in United States dollars (USD) whilst its Australian dollar (AUD) functional currency is the currency of payment to the majority of its suppliers and employees. The monthly average AUD/USD currency pair strengthened from 0.7272 for the 2016 financial year to 0.7544 for the year ended 30 June 2017. A weaker AUD implies a higher AUD receipt of sales denominated in USD. The Group’s policy is to mitigate adverse foreign exchange risk by transacting commodity hedges in AUD equivalent terms where possible.

Downstream processing markets

The price of sea freight, smelting and refining charges are market driven and vary throughout the year. These also impact on the Group’s overall profitability.

Interest rates

Interest rate movements affect both returns on funds on deposit as well as the cost of borrowings. Furthermore, AUD and USD interest rate differentials are intimately related to movements in the AUD/USD exchange rate.

Native Title

With regard to tenements in which the Group has an existing interest in, or will acquire an interest in the future, it is the case that there are areas over which Native Title rights exist, or may be found to exist, which may preclude or delay exploration, development or production activities.

The Company engages suitably qualified personnel to assist with the management of its exposure to native title risks, including appropriate legal and community relations experts. These risks are discussed in more detail in the Company's Sustainability Report which can be found on the Company's website.

Exposure to economic, environmental and social sustainability risks

The Group has material exposure to economic, environmental and social sustainability risks, including changes in environmental regulatory legislation.

The Group employs suitably qualified personnel to assist with the management of its exposure to environmental and social sustainability risks, including appropriate health and safety personnel, as well as heritage and environmental experts. These risks are discussed in more detail in the Company's Sustainability Report which can be found on the Company's website.

Other external factors and risks

- Operational performance including uncertain mine grades, seismicity ground support conditions, grade control, in fill resource drilling, mill performance and experience of the workforce;

Operating and financial review (continued)

External factors affecting the Group's results (continued)

Other external factors and risks (continued)

  - Contained metal (tonnes and grades) are estimated annually and published in resource and reserve statements, however actual production in terms of tonnes and grade often vary as the orebody can be complex and inconsistent.
  - Active underground mining operations can be subjected to varying degrees of seismicity. This natural occurrence can represent significant safety, operational and financial risk. To mitigate this risk substantial amounts of resources and technology are used in an attempt to predict and control seismicity.
- Exploration success or otherwise;
  - Due to the nature of an ever depleting reserve/resource base, the ability to find or replace reserves/resources presents a significant operational risk.
- Operating costs including labour markets and productivity;
  - Labour is one of the main cost drivers in the business and as such can materially impact the profitability of an operation.
- Changes in market supply and demand of products;
  - Any change in supply or demand impacts on the ability to generate revenues and hence the profitability of an operation.
- Changes in government taxation legislation;
- Changes in health and safety regulations;
- Environmental issues and social expectations; and
- Assumption of estimates that impact on reported asset and liability values.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

During the current year, the Company conducted a fully underwritten institutional placement (Placement) and raised $250.0 million. The Placement comprised an issue of 66,666,667 new shares in the Company at a price of $3.75 per share (Placement Price).

The Company also conducted a non-underwritten Share Purchase Plan (SPP) to facilitate retail shareholder participation of up to $15,000 per eligible shareholder at the Placement Price, subject to an overall cap of $30.0 million (the Placement and SPP together being the Equity Raising). The SPP was oversubscribed, however in recognition of the strong interest in the SPP by eligible retail shareholders, the Company's Board resolved to accept all valid applications without any scale back. The SPP resulted in the issue of an additional 8,388,689 ordinary shares and raised $31.5 million.

The Company undertook the Equity Raising to strengthen its balance sheet and to provide greater financial flexibility to fund growth initiatives. Specifically, the Equity Raising provided funding for the remaining development capital expenditure for the Nova Project, reducing the requirement for further drawdown under the Company's existing debt facilities. The Equity Raising also provided additional funds for the payment of residual acquisition costs (stamp duty), funding for debt repayment and general corporate purposes, including working capital.

The Company also restructured its existing banking facilities during the period. In July 2015, the Company entered into a syndicated facility agreement (Facility Agreement) with National Australia Bank Limited, Australia and New Zealand Banking Group and Commonwealth Bank of Australia Limited for a $550.0 million unsecured committed term facility. The Facility Agreement comprises:

- A $350.0 million amortising term loan facility expiring in September 2020; and
- A $200.0 million revolving loan facility expiring in September 2020.

Following the Equity Raising discussed above, the Company repaid $71.0 million of the amortising term loan facility and also cancelled a further $79.0 million of the same facility. Following this restructure, the Company has available facilities of: amortising loan facility of $200.0 million, which is fully drawn at balance date; and revolving loan facility of $200.0 million, which is currently undrawn.

During the period the Company also completed an off-market takeover of Windward Resources Ltd (Windward). Windward was a listed public company holding a number of tenements within the Fraser Range region.

Significant changes in the state of affairs (continued)

The takeover comprised a cash price of $0.19 per share and the acquisition was completed in December 2016. The total cost of the acquisition, including transaction costs, was $22.1 million. This balance included $4.5 million of cash balances acquired and resulted in a net cash outflow for the period of $17.6 million.

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

Events since the end of the financial year

On 30 August 2017, the Company announced that a final dividend for the year ended 30 June 2017 would be paid on 22 September 2017. The dividend is 1 cent per share and will be fully franked.

On 26 July 2017, the Company reported an interim Mineral Resource estimate for the Nova Operation based on improved geological understanding and results of close spaced diamond core ‘grade control’ drilling on the Nova deposit. The revised Mineral Resource estimate reported ~15% lower tonnage with marginally higher nickel and copper grades.

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.

Environmental regulation

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 reports its greenhouse emissions, energy consumption and production. 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 Environmental Policy is available in the Sustainability section of the Company’s website.

Information on directors

Peter Bilbe - Chairman and Independent Non-executive Director	
Qualifications	BEng (Mining) (Hons), MAusIMM
Tenure	Board member since March 2009 and Chairman since July 2011.
Special responsibilities	Mr Bilbe is Chair of the Nomination & Governance Committee and a member of the Remuneration Committee, Audit Committee and Sustainability & Risk Committee.
Other directorships	Mr Bilbe is currently a director of Intermin Resources Limited. He was also previously a director of Northern Iron Limited.

Peter Bradford - Managing Director and Chief Executive Officer	
Qualifications	BAppSc (Extractive Metallurgy), FAusIMM, MSMME
Tenure	Managing Director and Board member since March 2014.
Special responsibilities	Mr Bradford is the executive in charge of the day to day management of the Group’s activities, including operations, risk management and corporate development. He is also a member of the Nomination & Governance Committee and Sustainability & Risk Committee.
Other directorships	Mr Bradford was previously a director of Asanko Gold Inc.

Information on directors (continued)

Debra Bakker - Independent Non-executive Director from 14 December 2016	
Qualifications	MAppFin, BBus (FinAcc), GradDip FINSIA, MAICD
Tenure	Board member since her appointment on 14 December 2016.
Special responsibilities	Ms Bakker is a member of the Audit Committee, Remuneration Committee, Nomination & Governance Committee and Sustainability & Risk Committee.
Other directorships	Ms Bakker does not currently hold any directorships of listed entities.

Peter Buck - Independent Non-executive Director	
Qualifications	M.Sc. (Geology), MAusIMM
Tenure	Board member since October 2014.
Special responsibilities	Mr Buck is Chair of the Remuneration Committee and a member of the Audit Committee, Nomination & Governance Committee and Sustainability & Risk Committee.
Other directorships	Mr Buck is currently a non-executive director of Antipa Minerals Ltd.

Geoffrey Clifford - Independent Non-executive Director	
Qualifications	BBus, FCPA, FGIA, FAICD
Tenure	Board member since 2012.
Special responsibilities	Mr Clifford is Chair of the Audit Committee and a member of the Remuneration Committee, Nomination & Governance Committee and Sustainability & Risk Committee.
Other directorships	Mr Clifford is currently non-executive chairman of Saracen Mineral Holdings Limited.

Keith Spence - Independent Non-executive Director	
Qualifications	BSc (Geophysics) (Hons)
Tenure	Board member since December 2014.
Special responsibilities	Mr Spence is Chair of the Sustainability & Risk Committee and a member of the Remuneration Committee, Audit Committee and Nomination & Governance Committee.
Other directorships	Mr Spence is currently the non-executive chairman of Base Resources Limited and a non-executive director of Oil Search Limited and Murray & Roberts Holdings Limited. Mr Spence was also previously a director of Clough Limited and non-executive chairman of Geodynamics Limited.

Neil Warburton - Non-executive Director	
Qualifications	Assoc. MinEng WASM, MAusIMM, FAICD
Tenure	Board member since October 2015.
Special responsibilities	Mr Warburton is a member of the Remuneration Committee, Nomination & Governance Committee and Sustainability & Risk Committee.
Other directorships	Mr Warburton is currently a non-executive director of Australian Mines Limited and Flinders Mines Ltd. He was previously a non-executive director of Sirius Resources NL, Namibian Copper Limited and Peninsular Energy Limited and non-executive chairman of Red Mountain Mining Ltd.

Company secretary

Ms Joanne McDonald was appointed to the position of Company Secretary on 5 October 2015. Ms McDonald is a qualified Chartered Secretary with over 12 years' experience working for listed companies in Australia and the UK. Ms McDonald was previously Assistant Company Secretary with Paladin Energy Ltd and, during her eight years at Paladin, she also held the role of Company Secretary of Summit Resources Ltd. Ms McDonald is a Fellow of the Governance Institute 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 2017, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees: Remuneration Committee		Audit Committee		Nomination & Governance Committee		Sustainability and Risk Committee	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Debra Bakker[1]	5	5	2	2	2	2	2	2	1	1
Peter Bilbe	10	10	4	4	6	6	4	4	5	5
Peter Bradford	10	10	**	**	**	**	4	4	5	5
Peter Buck	10	10	4	4	6	6	4	4	5	5
Geoff Clifford	10	10	4	4	6	6	4	4	5	5
Keith Spence	9	10	4	4	5	6	4	4	5	5
Neil Warburton[2]	9	10	3	4	3	4	3	4	4	5

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year
** = Not a member of the relevant committee
1. Appointed a Non-executive director on 14 December 2016
2. Ceased to be a member of the Audit Committee on 23 January 2017

Directors interests in shares and share rights of the Company

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

	Ordinary fully paid shares	Share rights
Debra Bakker	5,200	-
Peter Bilbe	32,000	-
Peter Bradford	800,000	352,391
Peter Buck	22,200	-
Geoffrey Clifford	10,000	-
Keith Spence	22,125	-
Neil Warburton	106,034	-
Total	997,559	352,391

Remuneration report

The Remuneration Report for the year ended 30 June 2017 outlines the Director and executive remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* and its regulations.

Key Management Personnel (KMP) of the Group (also referred to as Executive Management) are detailed in the table below and are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director, whether executive or otherwise of the Company.

Details of KMP covered in this report

Non-executive and executive Directors (see pages 12 to 13 for details about each Director)	
Peter Bilbe	Non-executive Chairman
Peter Bradford	Managing Director
Debra Bakker	Non-executive Director
Peter Buck	Non-executive Director
Geoffrey Clifford	Non-executive Director
Keith Spence	Non-executive Director
Neil Warburton	Non-executive Director

Other key management personnel

Name	**Position**
Keith Ashby	Head of Governance & Risk
Rob Dennis	Chief Operating Officer
Matt Dusci	Chief Growth Officer
Joanne McDonald	Company Secretary
Sam Retallack	Head of People & Culture
Scott Steinkrug	Chief Financial Officer

Remuneration Committee

Overview

The Company's Remuneration Committee (Committee) is made up entirely of non-executive directors, the majority of whom are independent. The Committee is charged with assisting the Board by reviewing, on an annual basis, and making appropriate recommendations on the following:

- the Company's remuneration policy and structure, to ensure that it remains aligned to business needs and meets the Company's remuneration principles;
- executive remuneration policy for KMP;
- equity based remuneration plans for KMP and other employees;
- superannuation arrangements for the organisation; and
- remuneration equity.

The Committee, chaired by Peter Buck, held four meetings during the year. Ms Bakker and Messrs Bilbe, Clifford, Spence and Warburton are also Committee members. The Managing Director is invited to attend those meetings which consider the remuneration strategy of the Group and recommendations in relation to Executives.

Further information on the Committee's role, responsibilities and membership can be found at www.igo.com.au.

Use of remuneration consultants

The Committee undertakes a broad review of data derived from remuneration consultants who track industry levels to ensure it is fully informed when making remuneration decisions. During the year ended 30 June 2017 no remuneration recommendations, as defined by the *Corporations Act*, were provided by remuneration consultants. However, the Committee did utilise data provided by AON Hewitt McDonald ($5,030), Mercer Consulting ($4,500) and BDO Reward (WA) Pty Limited ($15,000) regarding salaries and benefits across the organisation.

Remuneration report (continued)

Remuneration and Rewards Philosophy

The Board recognises that, as a mid-tier diversified mining company, there is an added complexity to the business that depends upon the quality of its Directors, Executives and employees. To ensure the Company continues to succeed and grow, it must attract, motivate and retain highly skilled Directors, Executives and employees.

To this end, the Company has adopted the following Remuneration and Reward Philosophy:

- Remuneration policy is transparent with information communicated to all employees to create a high level of understanding of the link between pay, performance and delivery against Company objectives and values;
- "At Risk" components, such as short-term incentives (STIs) and long-term incentives (LTIs) are designed to motivate and incentivise for high performance and are aligned with the Company's strategic and business objectives to create short and long-term shareholder value;
- Learning and development is a quantifiable and essential component of all roles;
- Career planning is a valued component of the total reward philosophy and forms part of all development plans; and
- Work/life programs aim to provide balance and additional value for people at all levels of the organisation.

Remuneration components

Component	Vehicle	Objective	Link to performance
Total fixed remuneration (TFR)	Base salary and superannuation contributions.	• To provide competitive 'guaranteed' remuneration with reference to role, market and experience.	Annual performance of individuals towards the achievement of specific roles.
Short-term incentive (STI)	50% cash and 50% equity (service rights) targeted at a percentage of TFR. The equity component will be subject to service and deferred for 12 months (50%) and 24 months (50%).	• To provide an 'at risk' incentive to reward Executives and key personnel for current year performance. • To provide a deferred benefit to encourage the retention of Executives and key personnel.	STIs are a combination of Company and Individual KPIs to drive individual performance that deliver stretch outcomes. STIs aim to align an individual's performance with the achievement of the overall strategic plan and are measured against annual KPIs.
Long-term incentive (LTI)	Performance rights based on a percentage of TFR.	• To provide an 'at risk' grant to incentivise and motivate Executives to pursue the long-term growth and success of the Company; and • To provide a deferred benefit to support the retention of Executives and key personnel over time.	LTIs are clearly focused on the achievement of mid to long-term shareholder value and the Company's long-term strategic objectives.

Developments for FY17

FY17 was a year of transition for the Company with completion of manning up at the Nova Operation, increased focus on attracting and developing additional skills and better structuring and formalisation of the Company's Remuneration and Rewards policies. In parallel, changes to the local labour market and the availability of high quality skills and experience in some professional and trade groups required careful consideration when setting remuneration policy and the acquisition of talent.

The Board and Executive team understand that access to talented people, for all roles in the organisation, is a critical factor for ongoing success of the Company and its ability to grow. Anticipating the need for transition in FY17, the Committee undertook a significant review of the Company's Remuneration and Rewards policies in 2016, to ensure continued alignment of employee performance and shareholder value in the changing labour market. As a result of the review, a number of changes were made which had effect from 1 July 2016. A summary of the key elements of the implemented changes is provided below:

Remuneration report (continued)

Developments for FY17 (continued)

(i) Executive Management Remuneration

- no increase to Director's fees;
- increase to the Managing Director's TFR of 6.7% to $800,000*;
- no general increase to Executive TFR, with the exception of the Chief Growth Officer and the Chief Financial Officer who both received an increase of 7.7% to $420,000*;
- increase in the potential STI opportunity for the Managing Director to 70% of TFR and a decrease in LTI opportunity to 70% of TFR*;
- increase in the potential STI opportunity for executives to 30-50% of TFR and decrease in LTI opportunity to 20-40% of TFR*.

  * Note: the above increases were in line with market comparison data and took into account the additional responsibilities that came with the growth of the Company.
- alteration to the payment structure of STIs to be paid as a part cash payment (50%) and part service rights (50%) to further align the interests of shareholders and management teams. Service rights will vest in two tranches, with the first tranche of 50% vesting after 12 months following the award and the second tranche of 50% vesting after 24 months.
- introduction of a claw-back provision for any unvested STI and LTI awards in the case of fraud, dishonesty, gross misconduct or a material misstatement of the financial statements and subject to Board discretion; and
- continuation of a three year measurement period for LTI and the introduction of a gateway process for LTI vesting to provide the Board with the overriding discretion to adjust the LTI vesting if TSR is negative over the period.

(ii) Group-wide Remuneration

- payment of a competitive and equitable TFR that incorporates a “pay for performance” consideration with no general CPI increase awarded;
- a revised benchmarking policy and reward grade system using a simplified Paterson Band type structure implemented across the organisation to provide greater transparency and clarity to all employees with regard to the remuneration philosophy and structure;
- levels of STI opportunity revised for the STI program, to ensure the Company remains competitive with its peer group for at-risk remuneration; and
- successful launch of the Employee Share Ownership Award to increase the level of employee share ownership and connection to shareholders.

FY17 Executive Management Remuneration

Remuneration for FY17 consisted of a mix of:

- total fixed remuneration (TFR); and
- at-risk remuneration, comprising STIs and LTIs.

The mix of fixed and at-risk remuneration varies depending on the role and grading of Executives. It also depends on the performance of both the Company and the individual.

Total fixed remuneration (TFR)

Individual KMPs TFR for FY17 were as follows:

Remuneration report (continued)

FY17 Executive Management Remuneration (continued)

Total fixed remuneration (TFR) (continued)

Name	Position	TFR (30/6/2017) $	TFR (30/6/2016) $	TFR change in FY17 %
Peter Bradford	Managing Director	800,000	750,000	6.7%
Keith Ashby	Head of Governance & Risk	333,975	333,975	-
Rob Dennis	Chief Operating Officer	498,225	498,225	-
Matt Dusci	Chief Growth Officer	420,000	390,000	7.7%
Joanne McDonald[1]	Company Secretary	280,000	280,000	-
Sam Retallack	Head of People & Culture	333,975	333,975	-
Scott Steinkrug	Chief Financial Officer	420,000	390,000	7.7%

1. Joanne McDonald ceased to be a KMP effective 30 June 2017 following an internal restructure of reporting lines.

At-risk remuneration - STIs

Specific KPIs are set and weighted at the beginning of each year and are designed to drive successful and sustainable financial and business outcomes, with reference to the Company's strategic plan and budgets. The Board assesses and sets the KPIs applicable to the Managing Director, and the Managing Director assesses and sets the KPIs for each of his direct reports in consultation with the Board. This process is cascaded throughout the organisation.

FY17 KPIs

Prior to the beginning of the FY17 year, the Board determined the KPIs listed in the table below reflected the key result areas of the business. Following a significant review of the Company's Remuneration and Reward policies in 2016, it was decided to substantially increase the weighting related to the financial performance of the Company and reduce the weighting of the individual KPI component.

The following table indicates performance of KMP against FY17 KPIs. STIs will be paid to eligible Executives for the results achieved in September 2017:

Key Result Area	KPI Measure (in summary)*	Opportunity	Achievement
Operations and financial Assessed against budgeted Group underlying NPAT, delivery of Nova first concentrate production and achievement towards full mining and processing capacity.	Tropicana and Long delivered significantly better than budget. Jaguar delivered on budget with lower production offsetting higher metal prices. Overall result downgraded due to delays to Nova ramp up.	40%	17.5%
Growth Assessed against year on year improvement in Group reserves and completion of planned expansion to broaden tenure in the Fraser Range.	Year on year improvement in reserves, primarily due to Tropicana and Jaguar reserve growth. Stretch target met for Fraser Range consolidation.	10%	12.5%
ESG Measures Assessed against year on year improvement in ten lag and leading ESG (Environmental Social and Governance) metrics.	Year on year improvements delivered against most ESG metrics in FY17.	10%	10%
Strategy Based on achievement of defined strategic growth initiatives and year on year improvement in agreed organisational culture and behaviours.	Progress achieved on defined objectives.	20%	10%

Remuneration report (continued)

FY17 Executive Management Remuneration (continued)

At-risk remuneration - STIs (continued)

Individual KPIs/Personal performance Assessed for each individual and designed to more specifically focus individual Executives on key performance elements that align to the Company's strategic plan and profitability drivers that are within the Executive's control.	Assessed for each individual relative to 5-10 individual KPI's.	20%	8-18%

* Due to the sensitive nature of some corporate KPIs the full detail on measures and achievement is confidential.

Gating relating to payment of STIs for FY17

Company KPI Gating

- No Operational/Financial component in the event of Company NPAT being negative before abnormal items;
- No Growth component in the event of a material downward restatement of the previous years; and
- No ESG component in the event of a fatality, permanent disabling injury or material environmental breach.

Individual KPI Gating

- No individual component in the event of a material breach of the Company's Code of Conduct by the individual.

The following table reflects a summary of eligible individual executives' potential STI components as a percentage of TFR for amounts to be paid for FY17 compared to amounts paid for FY16:

Name	Position	FY17 Potential STI[1] %	FY17 Declared[2] $	FY16 Potential STI[1] %	FY16 Paid[3] $
Peter Bradford	Managing Director	70	350,000	50	280,000
Keith Ashby	Head of Governance & Risk	35	74,000	30	60,000
Rob Dennis	Chief Operating Officer	50	144,000	40	120,000
Matt Dusci	Chief Growth Officer	50	200,000[4]	40	120,000
Joanne McDonald	Company Secretary	35	66,500	30	37,500[5]
Sam Retallack	Head of People & Culture	35	74,000	30	60,000
Scott Steinkrug	Chief Financial Officer	50	132,000	40	120,000

1. % of TFR (base salary plus superannuation).
2. To be paid in September 2017 50% in cash and 50% in service rights.
3. Paid in August 2016.
4. Amount includes FY17 STI of $139,000 plus an additional special bonus of $61,000 for extraordinary contribution on specific projects during the year.
5. Pro-rata entitlement based on commencement date. Appointed Company Secretary on 5 October 2015.

The payment of all STIs is subject to Board approval. The Board has the discretion to adjust remuneration outcomes higher or lower to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any STI.

FY16 KPIs

As reported in the 2016 Annual Report, STIs paid in August 2016 were for the performance by eligible Executives in FY16. The following table indicates the performance of KMP against FY16 KPIs:

Remuneration report (continued)

FY17 Executive Management Remuneration (continued)

At-risk remuneration - STIs (continued)

Key Result Area	KPI Measure (in summary)*	Opportunity	Achievement
Operations and financial	Assessed against Group underlying NPAT, Jaguar and Long production, Jaguar and Long mine life and Tropicana conceptual studies.	17.5%	12.5%
Near-term growth	Assessed against completion of Sirius transaction, integration of Sirius assets and people, completion of Nova Project optimisation study and development timetable and expenditure. Stretch target achieved.	15%	17.5%
Longer-term growth	Assessed against measures in line with growth strategy.	10%	2.5%
Sustainability	Assessed against systems and processes and ESG measures.	7.5%	5.0%
Individual KPIs/Personal performance	As determined for each individual executive	50%	40-50%

* Due to the sensitive nature of some corporate KPIs the full detail on measures and achievement is confidential.

At-risk remuneration - LTIs

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

The Independence Group NL Employee Incentive Plan (EIP) was approved by shareholders at the Annual General Meeting in November 2016. Under the EIP, participants are granted share rights for no consideration that will only vest if certain performance conditions are met and the employees are still employed by the Group at the end of the vesting period. Participation in the EIP 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 EIP replaced the previous Independence Group NL Employee Performance Rights Plan (PRP) which was approved at the Annual General Meeting of the Company in November 2011 and re-approved at the Annual General Meeting in November 2014. Any existing unvested performance rights issued under the PRP will continue in accordance with their terms under the PRP.

In FY17, the Managing Director had the opportunity to earn 70% of his TFR as an LTI. All other Executives had the opportunity to earn between 20-40% of their TFR as an LTI.

The quantum of share rights issued in FY17 was determined by the Executive’s TFR; the applicable multiplier; and the face value of the Company's shares, calculated as the 20 day volume weighted average price (VWAP) to 26 August 2016.

During the period, 589,967 share rights were issued as FY17 LTIs to executive KMP and senior managers in accordance with the EIP. Additionally, 48,443 shares were issued in accordance with the Employee Share Ownership Award (ESOA) implemented in FY17 to those employees who did not receive LTI share rights. Refer to note 27 for further information of the ESOA.

The following share rights were issued to executive KMP in relation to FY17:

Remuneration report (continued)

FY17 Executive Management Remuneration (continued)

At-risk remuneration - LTIs (continued)

Name	Position	Number of share rights issued for FY17 period[1]	Number of share rights issued for FY16 period[2]
Peter Bradford	Managing Director	135,000[3]	217,391
Keith Ashby	Head of Governance & Risk	17,000	19,361
Rob Dennis	Chief Operating Officer	49,000	78,116
Matt Dusci	Chief Growth Officer	41,000	62,174
Joanne McDonald	Company Secretary	14,000	10,586[4]
Sam Retallack	Head of People & Culture	17,000	19,361
Scott Steinkrug	Chief Financial Officer	41,000	62,174

1. Share rights awarded at 20 day VWAP to 26 August 2016 of $4.15.
2. Share rights awarded at 20 day VWAP to 20 August 2015 of $3.45.
3. Approved by shareholders at the 2016 Annual General Meeting.
4. Pro-rata entitlement based on commencement date.

The number of share rights able to be issued under the EIP is limited to 5% of the issued capital of the Company. The 5% limit includes grants under all plans made in the previous five years (with certain exclusions under the *Corporations Act 2001).* At the end of FY17 this percentage stands at 0.96%. There are no voting or dividend rights attached to the share rights.

Vesting of share rights

Vesting of the EIP share rights granted to executive KMP is based on a continuous service condition and performance conditions as detailed below.

Service condition

The service condition is met if employment with IGO is continuous for three years commencing on or around the grant date and is aimed at retaining key personnel.

The treatment of LTI awards for executives whose employment ceases prior to vesting depends on the reason for cessation of employment and is subject to Board discretion to determine otherwise. If, in the opinion of the Board, the executive acts fraudulently or dishonestly, or is in material breach of his or her obligations to any Group entity, then the Board in its absolute discretion may determine all the executive's unvested share rights will lapse and the Board's discretion will be final and binding.

Performance condition

The TSR scorecard for the three year measurement period will be determined based on a percentile ranking of the Company's TSR results relative to the TSR of each of the companies in the peer group over the same three year measurement period.

Reflecting on market practice, the Board considers that relative TSR is an appropriate performance hurdle because it ensures that a proportion of each participant’s remuneration is linked to the return received by shareholders from holding shares in a company in the peer group over a particular period. There is no re-testing provision of the TSR performance condition following the initial testing at the end of the three year measurement period.

Board discretion on vesting

The Board has overriding discretion to adjust the LTI vesting if, on assessment, absolute TSR is negative over the performance period.

Peer group

The peer group used to determine relative TSR is comprised of constituents of the S&P ASX 300 Metals and Mining Index.

Remuneration report (continued)

FY17 Executive Management Remuneration (continued)

At-risk remuneration - LTIs (continued)

Vesting of share rights (continued)

The Company's TSR performance for share rights issued during FY17 will be assessed against the following 28 peer group companies:

Peer Group		
Alacer Gold Corp.	Alumina Limited	Beadell Resources Ltd
BHP Billiton Limited	BlueScope Steel Limited	Evolution Mining Limited
Fortescue Metals Group Ltd	Gold Road Resources Limited	Iluka Resources Limited
Lynas Corporation Limited	Metals X Limited	Newcrest Mining Limited
Northern Star Resources Ltd	OceanaGold Corporation	Orocobre Limited
OZ Minerals Limited	Pilbara Minerals Limited	Perseus Mining Limited
Rio Tinto Limited	Regis Resources Limited	Resolute Mining Limited
South32 Limited	Saracen Mineral Holdings Limited	St Barbara Limited
Sandfire Resources NL	Sims Metal Management Limited	Syrah Resources Limited
Western Areas Limited		

Vesting schedule

The vesting schedule of the share rights subject to relative TSR testing is as follows:

Relative TSR performance	Level of vesting
Less than 50th percentile	Zero
Between 50th and 75th percentile	Pro-rata straight line percentage between 50% and 100%
75th percentile or better	100%

Note: The relative TSR performance condition of the share rights granted in FY15 (which were due to vest on 1 July 2017) was tested post 30 June 2017, and resulted in a relative TSR performance for the period 1 July 2014 to 30 June 2017 of less than the 50th percentile of the comparator group and as such all the share rights lapsed and were cancelled. This will be accounted for in the FY18 Remuneration Report.

Share trading policy

The trading of shares issued to participants under the EIP is subject to, and conditional upon, compliance with the Company's Dealing in Securities Standard. The Standard also prohibits all employees, including Directors and senior management, from entering into any hedging arrangement over unvested securities issued pursuant to any share scheme, performance rights plan or option plan.

Share rights granted prior to 30 June 2014

Vesting of the share rights granted to executive KMP prior to 30 June 2014 were subject to a combination of the Company's shareholder return and return on equity. The final tranche of these outstanding share rights was assessed at 30 June 2016 and there are no further share rights outstanding which are subject to these performance conditions. The performance rights vested if, over the three year measurement period, the following performance hurdles were achieved:

Shareholder return

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

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

Remuneration report (continued)

FY17 Executive Management Remuneration (continued)

At-risk remuneration - LTIs (continued)

Share rights granted prior to 30 June 2014 (continued)

Return on equity

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

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

ROE = Net profit after tax / Total shareholders' equity

The target ROE used was 10%. The portion of share rights (25% of the total) that vested based on the comparative return on equity was:

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

LTI - Non-executive directors

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

Developments for FY18

The Western Australian labour market in which the Company competes is expected to continue to strengthen in FY18, resulting in continuing competition for talent. The Board and Executive team appreciate the importance of competitive remuneration to ensure that the Company remains able to attract, motivate and retain the valued team of employees built in FY17. In FY18, the Company will continue to focus on alignment of employee performance and shareholder value.

The Company reviews all remuneration practices annually. As a result of the review conducted in FY17, a number of changes have been actioned for FY18, with effect from 1 July 2017. Completed changes and/or progress towards remuneration objectives will be reported in more detail in the 2018 Remuneration Report, however a summary of the key elements of the FY18 program are provided below:

Group-wide remuneration

- review of operational rosters to ensure the Company maximises operational productivity while focused on market competitive terms and conditions for all employees;
- LTI performance metrics were reviewed and for FY18 grants will incorporate two performance measures equally weighted: (i) relative TSR and (ii) absolute TSR;
- further review, investigation and implementation of flexible work arrangements across the organisation;
- review of group wide remuneration benchmarking and award of a group wide CPI increment (or consideration of) for all roles;
- strengthening and extension of the Company wide investment in learning, development and training; and
- continued revision of the STI program, with a particular focus on maximising shareholder value delivered by specific business units.

Executive management remuneration

- no increase in TFR for Managing Director;
- increases in TFR for Executive KMPs in line with market benchmarking and to ensure that Executive fixed remuneration remains competitive within the comparator and broader industry groups for similar roles;
- no change to STI levels; and

Remuneration report (continued)

Developments for FY18 (continued)

Executive management remuneration (continued)

- increases in LTI levels to achieve improved connection between long-term shareholder value creation and the executive team through heavier weighting of at-risk reward in favour of LTI and following independent mining industry benchmarking and trends.

Review of the Company's comparator group and industry remuneration trends indicate the potential for greater alignment of Executive performance and long-term value creation for shareholders when "at-risk" remuneration is more heavily weighted to the award of LTI benefits. As such the Board and Committee have chosen to adjust Executive STI/LTI percentages in favour of an increased LTI opportunity for FY18.

The following table reflects remuneration components available to Executives effective 1 July 2017:

Name	Position	TFR FY18 $	Potential STI[5] %[6]	Potential LTI %[6]
Peter Bradford[1]	Managing Director	800,000	70	110
Keith Ashby[2]	Head of Governance & Risk	350,000	35	50
Rob Dennis[3]	Chief Operating Officer (COO)	500,000	50	80
Matt Dusci[4]	Chief Growth Officer (CGO)	500,000	50	80
Sam Retallack[2]	Head of People & Culture	350,000	35	50
Scott Steinkrug[4]	Chief Financial Officer (CFO)	450,000	50	80

1. No increase in TFR. Increase in LTI from 70%.
2. Increase in TFR from $333,975. Increase in LTI from 20%.
3. Increase in TFR from $498,225. Increase in LTI from 40%.
4. Increase in TFR from $420,000. Increase in LTI from 40%.
5. No increase in STI levels.
6. Potential STI and LTI are based on a % of TFR comprising base salary and superannuation only.

If maximum at-risk remuneration were to be earned for FY18, the percentage of fixed to at-risk remuneration would be as follows:

Summary of Remuneration Annual Components for Executive Management, if all at risk payments are made

Managing Director	TFR – 36%	STI – 25%	LTI – 39%
COO, CFO and BDO	TFR – 43%	STI – 22%	LTI – 35%
Other executive KMP	TFR – 54%	STI – 19%	LTI – 27%

Company performance and remuneration

A key and continued focus for the Board and Company is to align its Executive remuneration to the strategic and business objectives of the Group and the creation of shareholder value. The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*. These measures are not necessarily consistent with the measures used in determining the at-risk amounts of remuneration to be awarded to KMPs as other internal measures are used to drive these results.

	2017	2016	2015	2014	2013
Revenue ($ millions)	421.9	413.2	495.3	399.1	225.9
Profit for the year attributable to owners ($ millions)	17.0	(58.8)	76.8	48.6	18.3
Dividends payments (cents per share)	3.0	2.5	11.0	7.0	5.0
Share price at year end ($ per share)	3.15	3.28	4.17	4.35	2.26

Remuneration report (continued)

Executive contracts

Remuneration and other terms of employment for the executives are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Participation in the STI and LTI plans is subject to the Board's discretion. Other major provisions of the agreements relating to remuneration are set out below.

Name	Position	Term of agreement	Base salary including super-annuation $	Notice period	Termination benefit
Peter Bradford	Managing Director	No fixed term	800,000	6 months	6 months[1]
Keith Ashby	Head of Governance & Risk	No fixed term	350,000	3 months	6 months
Rob Dennis	Chief Operating Officer	No fixed term	500,000	3 months	6 months
Matt Dusci	Chief Growth Officer	No fixed term	500,000	3 months	6 months
Sam Retallack	Head of People & Culture	No fixed term	350,000	3 months	6 months
Scott Steinkrug	Chief Financial Officer	No fixed term	450,000	3 months	6 months

1. In addition to the above, Mr Bradford is entitled to a maximum termination benefit payable of up to 12 months of average annual base salary should the Company terminate the employment contract without cause, but only if such payment would not breach ASX Listing Rules. A termination benefit of three month's remuneration is payable to Mr Bradford should the Company terminate the employment contract due to illness, injury or incapacity.

Remuneration expenses for KMP's

The following table shows the cash value of earnings realised by executive KMP during FY17. The cash value of earnings realised include cash salary, superannuation and cash bonuses received in cash during the year and the intrinsic value of LTI vesting during the financial year.

This is in addition and different to the disclosures required by the *Corporations Act* and Accounting Standards, particularly in relation to share rights. As a general principle, the Accounting Standards require a value to be placed on share rights based on probabilistic calculations at the time of grant, which may be reflected in the Remuneration Report even if ultimately the share rights do not vest because performance and service hurdles are not met. By contrast, this table discloses the intrinsic value of share rights, which represents only those share rights which actually vest and result in shares issued to a KMP. The intrinsic value is the Company's closing share price on the date of vesting.

Actual cash value of earnings realised for FY17

Name	Fixed remuneration (TFR)[1] $	STI[2] $	LTI[3] $	Total Actual Remuneration $
Peter Bradford	800,000	280,000	-	1,080,000
Keith Ashby	333,975	60,000	-	393,975
Rob Dennis	498,255	120,000	-	618,255
Matt Dusci	420,000	120,000	-	540,000
Joanne McDonald	280,000	37,500[4]	-	317,500
Sam Retallack	333,975	60,000	-	393,975
Scott Steinkrug[3]	420,000	120,000	181,420	721,420

1. Includes base salary and superannuation.
2. Represents the amount paid in the financial year for performance in FY16.
3. Value of share rights granted in FY13 and vesting on 1 September 2016 at a market price of $3.65. No other executives were entitled to the LTI rights which were granted in FY13 as they were not employed by the Company at that time.
4. Pro-rata entitlement based on appointment as Company Secretary on 5 October 2015.

Remuneration report (continued)

Remuneration expenses for KMP's (continued)

The following tables show details of the remuneration received by the Group's KMP for the current and previous financial year.

		Short-term employee benefits		Post-employment benefits	Long-term benefits	Share-based payments	
Name		Cash salary and fees[1]	Cash bonus[2]	Super-annuation	Long service leave[3]	Share rights[4]	Total
		$	$	$	$	$	$
Non-executive Directors							
Debra Bakker[5]	2017	59,776	-	5,679	-	-	65,455
Peter Bilbe	2017	219,178	-	20,822	-	-	240,000
	2016	219,178	-	20,822	-	-	240,000
Peter Buck	2017	123,288	-	11,712	-	-	135,000
	2016	123,288	-	11,712	-	-	135,000
Geoffrey Clifford	2017	123,288	-	11,712	-	-	135,000
	2016	123,288	-	11,712	-	-	135,000
Keith Spence	2017	123,288	-	11,712	-	-	135,000
	2016	123,288	-	11,712	-	-	135,000
Neil Warburton[6]	2017	109,589	-	10,411	-	-	120,000
	2016	79,286	-	7,532	-	-	86,818
Mark Bennett[7]	2016	70,154	-	6,655	-	-	76,809
Executive Directors							
Peter Bradford	2017	788,668	280,000	35,000	18,395	378,464	1,500,527
	2016	717,681	270,000	35,000	11,028	279,523	1,313,232
Other key management personnel							
Keith Ashby	2017	308,520	54,795	34,180	4,838	18,105	420,438
	2016	317,920	-	28,975	2,555	4,828	354,278
Rob Dennis[8]	2017	499,253	109,589	35,000	11,060	69,966	724,868
	2016	157,269	-	14,540	1,748	12,277	185,834
Matt Dusci	2017	400,344	109,589	30,000	7,633	101,134	648,700
	2016	370,584	82,192	30,000	3,951	65,773	552,500
Joanne McDonald[9]	2017	262,617	34,247	27,546	2,625	12,370	339,405
	2016	174,784	-	16,254	709	2,640	194,387
Sam Retallack	2017	306,173	54,795	34,180	9,161	28,573	432,882
	2016	331,045	31,963	30,000	12,173	15,325	420,506
Scott Steinkrug	2017	402,699	109,589	35,000	16,484	101,134	664,906
	2016	369,564	82,192	33,835	11,132	121,899	618,622
Brett Hartmann[10]	2016	246,379	82,192	27,808	7,093	86,016	449,488
Tony Walsh[11]	2016	121,487	68,493	16,407	(5,198)	(113,303)	87,886

Remuneration report (continued)

Remuneration expenses for KMP's (continued)

1. Cash salary and fees includes movements in annual leave provision during the year.
2. Cash bonus excludes superannuation contribution component of STI which is shown in Post-employment benefits.
3. Long service leave relates to movements in long service leave provision during the year.
4. Rights to shares granted under the EIP and PRP are expensed over the performance period, which includes the vesting period of the rights, in accordance with AASB 2 *Share-based Payment*. Refer to note 27 for details of the valuation techniques used for the EIP and PRP.
5. Ms Bakker was appointed a Non-executive Director effective 14 December 2016.
6. Mr Warburton was appointed a Non-executive Director on 12 October 2015.
7. Mr Bennett was appointed a Non-executive Director on 12 October 2015 and resigned effective 31 May 2016.
8. Mr Dennis was appointed Chief Operating Officer effective 1 March 2016, having previously held the role of General Manager, Project Development (from 22 September 2015) and prior to that Chief Operating Officer, Sirius Resources NL.
9. Ms McDonald commenced employment as Company Secretary on 5 October 2015.
10. Effective 1 March 2016, Mr Hartmann became the General Manager, Nova, having previously held the role of Chief Operating Officer.
11. Mr Walsh ceased employment with the Company on 9 October 2015.

Non-executive Director remuneration policy

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 $1,500,000 which was approved by shareholders at the Annual General Meeting on 16 December 2015, of which $885,000 was being utilised at 30 June 2017 (2016: $885,000).

The Board resolved, for a third consecutive year, not to increase Non-executive Directors' fees for FY17.

Non-executive Directors may provide additional consulting services to the Group, at a rate approved by the Board. No such amounts were paid to Directors during the current year.

Base fees/Committee fees	**30 June 2017 $**	**30 June 2016 $**
Chairman	230,000	230,000
Non-executive Directors	120,000	120,000
Chair Audit Committee	15,000	15,000
Chair Remuneration Committee	15,000	15,000
Chair Sustainability and Risk Committee	15,000	15,000
Chair Nomination Committee	10,000	10,000

Remuneration report (continued)

Additional statutory information

(i) Relative proportions of fixed vs at-risk remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense:

Name	Fixed remuneration[1]		At risk - STI		At risk - LTI	
	2017 %	2016 %	**2017 %**	2016 %	**2017 %**	2016 %
Executive Directors of Independence Group NL						
Peter Bradford	**56**	58	**19**	21	**25**	21
Other key management personnel of the group						
Keith Ashby	**82**	99	**14**	-	**4**	1
Rob Dennis	**74**	93	**16**	-	**10**	7
Matt Dusci	**66**	72	**18**	16	**16**	12
Joanne McDonald	**85**	99	**11**	-	**4**	1
Sam Retallack	**79**	88	**14**	8	**7**	4
Scott Steinkrug	**67**	66	**18**	14	**15**	20
Brett Hartmann	**-**	61	**-**	20	**-**	19
Tony Walsh	**-**	63	**-**	37	**-**	-

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

(ii) Performance based remuneration granted and forfeited during the year

The table below shows for each KMP how much of their STI cash bonus was awarded and how much was forfeited. It also shows the value of share rights that were granted, vested and forfeited during FY17. The number of share rights and percentages vested/forfeited for each grant are disclosed in the table on page 29.

	Total STI bonus (cash)			LTI share rights		
2017	**Total opportunity $**	**Awarded %**	**Forfeited %**	**Value granted[1] $**	**Value vested[2] $**	**Value forfeited[2] $**
Peter Bradford	375,000	75	25	298,732	-	-
Keith Ashby	100,500	60	40	38,411	-	-
Rob Dennis	199,290	60	40	110,714	-	-
Matt Dusci	156,000	77	23	92,638	-	-
Joanne McDonald	61,677	61	39	31,633	-	-
Sam Retallack	100,500	60	40	38,411	-	-
Scott Steinkrug	156,000	77	23	92,638	106,367	35,456

1. The value at grant date for share rights granted during the year as part of remuneration is calculated in accordance with AASB 2 *Share-based Payment*. Refer to note 27 for details of the valuation techniques used for the EIP.
2. Value of shares vested and forfeited is based on the value of the share right at grant date.

Remuneration report (continued)

Additional statutory information (continued)

(iii) Terms and conditions of the share-based payment arrangements

Share rights

Share rights under the Company's EIP are granted annually. The shares vest after three years from the start of the financial year. On vesting, each right automatically converts into one ordinary share. The Executives do not receive any dividends and are not entitled to vote in relation to the rights during the vesting period. If an Executive ceases employment before the rights vest, the rights will be forfeited, except in limited circumstances that are approved by the Board.

The value at grant date for share rights granted during the year as part of remuneration is calculated in accordance with AASB 2 *Share-based Payment*. Refer to note 27 for details of the valuation techniques used for the EIP.

Grant date	Vesting date	Grant date value
22 May 2017	1 July 2019	$2.30
24 November 2016	1 July 2019	$2.26
18 November 2016	1 July 2019	$2.21
22 January 2016	1 July 2018	$1.20
16 December 2015	1 July 2018	$1.56
9 January 2015	1 July 2017	$2.55
20 November 2014	1 July 2017	$2.84
28 February 2014	1 July 2016	$2.14
28 February 2013	1 July 2015	$2.06

(iv) Reconciliation of share rights held by KMP

The table below shows the number of share rights that were granted, vested and forfeited during the year.

		Balance at the start of the year	Granted during the year	Vested during the year[1]		Forfeited during the year[2]		Balance at the end of the year (unvested)	Maximum value yet to vest
Name	Year granted	Number	Number	Number[3]	%	Number[3]	%	Number	$
Peter Bradford	2017	-	135,000	-	-	-	-	135,000	199,337
	2016	217,391						217,391	113,304
	2015	175,365	-	-	-	-	-	175,365	-
Keith Ashby	2017	-	17,000	-	-	-	-	17,000	29,485
	2016	19,361						19,361	9,179
Matt Dusci	2017		41,000	-	-	-	-	41,000	71,110
	2016	62,174						62,174	29,476
	2015	50,154	-	-	-	-	-	50,154	-
Rob Dennis	2017		49,000	-	-	-	-	49,000	84,986
	2016	78,116						78,116	37,033
Joanne McDonald	2017	-	14,000	-	-	-	-	14,000	24,282
	2016	10,586						10,586	5,019
Sam Retallack	2017	-	17,000	-	-	-	-	17,000	29,485
	2016	19,361						19,361	9,179
	2015	10,473	-	-	-	-	-	10,473	-
Scott Steinkrug	2017	-	41,000	-	-	-	-	41,000	71,110
	2016	62,174						62,174	29,476
	2015	50,154	-	-	-	-	-	50,154	-
	2014	66,272	-	49,704	75	16,568	25	-	-

Remuneration report (continued)

Additional statutory information (continued)

(iv) Reconciliation of share rights held by KMP (continued)

1. The Company achieved shareholder return over the 3 year period to 30 June 2016 of greater than 115% of the S&P ASX 300 Metals and Mining Index (Index) resulting in 100% vesting of the share rights attributable to shareholder return (75%).
2. The Company achieved less than 100% of average target Return on Equity (ROE) for the 3 year period to 30 June 2016 resulting in 0% vesting of the share rights attributable to ROE (25%).
3. No other vesting conditions for share rights granted in 2017, 2016 or 2015 were met during the year.

(v) Shareholdings of KMP

The number of ordinary shares in the Company held by each Director and other KMP, including their personally related entities, are set out below.

2017

Name	Balance at the start of the period	Received on vesting of share rights	Other changes during the period	Balance at the end of the year
Directors of Independence Group NL				
Debra Bakker	-	-	5,200	5,200
Peter Bilbe	20,000	-	12,000	32,000
Peter Bradford	595,680	-	204,320	800,000
Peter Buck	4,700	-	17,500	22,200
Geoffrey Clifford	-	-	10,000	10,000
Keith Spence	-	-	22,125	22,125
Neil Warburton	103,368	-	2,666	106,034
Other key management personnel				
Keith Ashby	53,885	-	(53,885)	-
Rob Dennis	16,644	-	-	16,644
Matt Dusci	9,900	-	-	9,900
Joanne McDonald	-	-	-	-
Sam Retallack	19,865	-	-	19,865
Scott Steinkrug	46,845	49,704	(18,000)	78,549
Total	**870,887**	**49,704**	**201,926**	**1,122,517**

(vi) Other transactions with key management personnel

During the current financial year, there were no other transactions with key management personnel or their related parties.

(vii) Voting of shareholders at last year's annual general meeting

Independence Group NL received more than 90% of “yes” votes on its remuneration report for the 2016 financial year. The Company has endeavoured to address feedback received throughout the year on its remuneration practices through developments to be implemented in FY18. This feedback has included advice on the introduction of an additional performance condition for the LTI and continuing to ensure the weighting of the STI KPIs are more aligned with the financial performance of the Company. The Committee has continued to work to improve the transparency of its Remuneration Report and ensure remuneration across the business reflects the strategic direction of the Company.

* End of Remuneration Report *

Shares under option

At the reporting date, there were no unissued ordinary shares under options, nor were there any ordinary shares issued during the year ended 30 June 2017 on the exercise of options.

Insurance of officers and indemnities

During the financial year, the Company paid an insurance 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 any officer of the Company or of any related body corporate against a liability incurred by such an officer.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to 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 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 Audit (WA) Pty Ltd) for non-audit services provided during the year are set out below.

The Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* nor the principles set out in APES110 *Code of Ethics for Professional Accountants*.

During the period the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2017 **$**	2016 $
Other services		
BDO Audit (WA) Pty Ltd firm:		
Other services in relation to the entity and any other entity in the consolidated Group	**37,338**	38,158
Total remuneration for non-audit services	**37,338**	38,158

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 32.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporation Legislative Instrument 2016/191, 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 Legislative Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.

Peter Bradford
Managing Director

Perth, Western Australia
Dated this 29th day of August 2017

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 29 August 2017

Independence Group NL ABN 46 092 786 304
Financial report - 30 June 2017

Contents

	Notes	2017 $'000	2016 $'000
Revenue from continuing operations	2	**421,926**	413,188
Other income	3	**-**	3,862
Mining, development and processing costs		**(146,135)**	(139,931)
Employee benefits expense		**(64,740)**	(66,975)
Share-based payments expense		**(1,147)**	(819)
Fair value movement of financial investments		**4,343**	2,374
Depreciation and amortisation expense		**(89,773)**	(99,695)
Rehabilitation and restoration borrowing expense		**(1,232)**	(707)
Exploration costs expensed		**(20,139)**	(19,720)
Royalty expense		**(14,391)**	(12,557)
Ore tolling expense		**(9,606)**	(10,092)
Shipping and wharfage costs		**(12,092)**	(16,143)
Borrowing and finance costs		**(26)**	(76)
Impairment of exploration and evaluation expenditure	15	**(24,891)**	(35,518)
Impairment of other assets		**(135)**	-
Acquisition and other integration costs		**(3,910)**	(65,137)
Other expenses		**(11,635)**	(11,266)
Profit (loss) before income tax		**26,417**	(59,212)
Income tax (expense) benefit	5	**(9,406)**	442
Profit (loss) for the period		**17,011**	(58,770)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Effective portion of changes in fair value of cash flow hedges, net of tax		**241**	404
Exchange differences on translation of foreign operations		**4**	-
Other comprehensive income for the period, net of tax		**245**	404
Total comprehensive income (loss) for the period		**17,256**	(58,366)
Profit (loss) for the period attributable to the members of Independence Group NL		**17,011**	(58,770)
Total comprehensive income (loss) for the period attributable to the members of Independence Group NL		**17,256**	(58,366)

		Cents	Cents
Earnings (loss) per share for profit (loss) attributable to the ordinary equity holders of the Company:			
Basic earnings (loss) per share	6	**2.93**	(13.12)
Diluted earnings (loss) per share	6	**2.92**	(13.12)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	2017 $'000	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**35,763**	46,264
Trade and other receivables	8	**59,383**	30,900
Inventories	9	**63,158**	46,498
Financial assets at fair value through profit or loss	10	**15,348**	5,017
Derivative financial instruments	20	**657**	784
Assets classified as held for sale	23	**44,797**	-
Total current assets		**219,106**	129,463
Non-current assets			
Receivables		**14**	14
Inventories	9	**20,077**	31,995
Property, plant and equipment	13	**44,922**	47,309
Mine properties	14	**1,612,919**	1,470,851
Exploration and evaluation expenditure	15	**60,016**	107,533
Deferred tax assets	5	**251,429**	219,427
Derivative financial instruments	20	**-**	799
Total non-current assets		**1,989,377**	1,877,928
TOTAL ASSETS		**2,208,483**	2,007,391
LIABILITIES			
Current liabilities			
Trade and other payables	11	**49,052**	107,132
Borrowings	16	**56,226**	43,154
Derivative financial instruments	20	**965**	2,487
Provisions	12	**15,259**	6,901
Total current liabilities		**121,502**	159,674
Non-current liabilities			
Borrowings	16	**140,815**	222,672
Derivative financial instruments	20	**251**	-
Provisions	12	**73,228**	68,305
Deferred tax liabilities	5	**139,903**	100,949
Total non-current liabilities		**354,197**	391,926
TOTAL LIABILITIES		**475,699**	551,600
NET ASSETS		**1,732,784**	1,455,791
EQUITY			
Contributed equity	17	**1,878,469**	1,601,458
Reserves	18	**13,445**	12,873
Accumulated losses		**(159,130)**	(158,540)
TOTAL EQUITY		**1,732,784**	1,455,791

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Issued capital $'000	Accumulated losses $'000	Hedging reserve $'000	Share-based payments reserve $'000	Acquisition reserve $'000	Foreign currency translation reserve $'000	Total equity $'000
Balance at 1 July 2015	737,324	(88,020)	-	13,057	3,142	(8)	665,495
Adjustment on adoption of AASB 9 (net of tax)	-	1,036	(1,036)	-	-	-	-
Restated total equity at 1 July 2015	737,324	(86,984)	(1,036)	13,057	3,142	(8)	665,495
Loss for the period	-	(58,770)	-	-	-	-	(58,770)
Other comprehensive income							
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	404	-	-	-	404
Total comprehensive loss for the period	-	(58,770)	404	-	-	-	(58,366)
Transactions with owners in their capacity as owners:							
Dividends paid	-	(12,786)	-	-	-	-	(12,786)
Share-based payments expense	-	-	-	819	-	-	819
Issue of shares - Employee Performance Rights Plan	3,505	-	-	(3,505)	-	-	-
Shares issued on acquisition of subsidiary	860,629	-	-	-	-	-	860,629
Balance at 30 June 2016	1,601,458	(158,540)	(632)	10,371	3,142	(8)	1,455,791

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

	Issued capital $'000	Accumulated losses $'000	Hedging reserve $'000	Share-based payments $'000	Acquisition reserve $'000	Foreign currency translation reserve $'000	Total equity $'000
Balance at 1 July 2016	1,601,458	(158,540)	(632)	10,371	3,142	(8)	1,455,791
Profit for the period	-	17,011	-	-	-	-	17,011
Other comprehensive income							
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	241	-	-	-	241
Currency translation differences - current period	-	-	-	-	-	4	4
Total comprehensive income for the period	-	17,011	241	-	-	4	17,256
Transactions with owners in their capacity as owners:							
Dividends paid	-	(17,601)	-	-	-	-	(17,601)
Share-based payments expense	-	-	-	1,147	-	-	1,147
Issue of shares - Employee Performance Rights Plan	820	-	-	(820)	-	-	-
Shares issued on capital raising	281,459	-	-	-	-	-	281,459
Costs associated with capital raising (net of tax)	(5,268)	-	-	-	-	-	(5,268)
Balance at 30 June 2017	1,878,469	(159,130)	(391)	10,698	3,142	(4)	1,732,784

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

Consolidated statement of cash flows
For the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**416,375**	441,317
Payments to suppliers and employees (inclusive of goods and services tax)		**(323,416)**	(320,926)
		92,959	120,391
Interest and other costs of finance paid		**-**	(49)
Interest received		**2,201**	1,587
Payments for exploration expenditure		**(18,022)**	(20,032)
Receipts from other operating activities		**540**	163
Net cash inflow from operating activities		**77,678**	102,060
Cash flows from investing activities			
Interest and other costs of finance paid		**(13,431)**	(6,866)
Payments for property, plant and equipment		**(14,564)**	(10,711)
Proceeds from sale of property, plant and equipment and other investments		**2,418**	16,961
Payments for purchase of listed investments		**(5,994)**	(1,605)
Payments for development expenditure		**(220,481)**	(215,489)
Payments for capitalised exploration and evaluation expenditure		**(3,662)**	(10,586)
Payment for acquisition of subsidiary, net of cash acquired		**(17,574)**	(202,052)
Net cash (outflow) from investing activities		**(273,288)**	(430,348)
Cash flows from financing activities			
Proceeds from issues of shares	17(b)	**281,459**	-
Share issue transaction costs	17(a)	**(7,526)**	-
Proceeds from borrowings		**-**	271,000
Transaction costs associated with borrowings		**-**	(5,355)
Repayment of borrowings		**(71,000)**	-
Repayment of finance lease liabilities		**-**	(510)
Payment of dividends	19	**(17,601)**	(12,786)
Net cash inflow from financing activities		**185,332**	252,349
Net (decrease) in cash and cash equivalents		**(10,278)**	(75,939)
Cash and cash equivalents at the beginning of the period		**46,264**	121,296
Effects of exchange rate changes on cash and cash equivalents		**(223)**	907
Cash and cash equivalents at the end of the period	7	**35,763**	46,264

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

About this report

Independence Group NL is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the directors' report.

The financial report of Independence Group NL (the Company) and its subsidiaries (collectively, the Group) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 28 August 2017.

Basis of preparation

This financial report is a general purpose financial report, prepared by a for-profit entity, which:

- Has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- Has been prepared on a historical cost basis, 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;
- Is presented in Australian dollars with values rounded to the nearest thousand dollars or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission 'ASIC Corporation Legislative Instrument 2016/191';
- Presents comparative information where required for consistency with the current year's presentation;
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2016 as disclosed in note 32; and
- Does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective with the exception of AASB 9 *Financial Instruments* (December 2010) as amended by 2013-0 (AASB 9 (2013)) which was adopted in the prior period.

Key estimates and judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. 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 the following notes:

Note 5	Income tax expense
Note 9	Inventories
Note 12	Provisions
Note 13	Property, plant and equipment
Note 14	Mine properties
Note 15	Exploration and evaluation expenditure
Note 27	Share-based payments

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year end is contained in note 24.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit or losses resulting from intra-Group transactions have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Contents of the notes to the consolidated financial statements

Financial Performance

This section of the notes includes segment information and provides further information on key line items relevant to financial performance that the Directors consider most relevant, including accounting policies, key judgements and estimates relevant to understanding these items.

1 Segment information

(a) 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 predominantly only one geographic segment (ie. Australia) and has identified the following operating segments, being the Tropicana Operation, the Long Operation, the Jaguar Operation, the Nova Project and New Business and Regional Exploration Activities (New Business).

The Tropicana Operation represents the Group’s 30% joint venture interest in the Tropicana Gold Mine. AngloGold Ashanti Australia Limited (AngloGold Ashanti) is the manager of the project and holds the remaining 70% interest. Programs and budgets are provided by AngloGold Ashanti and are considered for approval by the Company's Board.

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

The Jaguar Operation primarily produces copper and zinc concentrate. Revenue is derived from multiple customers. The General Manager of the Jaguar Operation is responsible for the budgets and expenditure of the operation, responsibility for ore concentrate sales rests with the Chief Operating Officer. The Jaguar Operation and exploration properties are owned by the Group’s wholly owned subsidiary Independence Jaguar Pty Ltd.

The Nova Project was acquired by the Company following the acquisition of Sirius Resources NL in September 2015. The Nova Project comprises the construction and development of the Nova nickel, copper and cobalt mine, located east of Norseman in Western Australia. The General Manager of the Nova Project is responsible for the budgets and expenditure of the Project.

The Group’s Chief Growth Officer is responsible for budgets and expenditure relating to the Group’s regional exploration, scoping studies, feasibility studies and new business development. The New Business division does not normally derive any income. Should a project generated by the New Business division commence generating income or lead to the construction or acquisition of a mining operation, that operation would then be disaggregated from New Business and become reportable in a different segment.

1 Segment information (continued)

(b) Segment results

Year ended 30 June 2017	**Tropicana Operation**	**Long Operation**	**Jaguar Operation**	**Nova Project**	**New Business and Regional Exploration Activities**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue from external customers	211,915	69,905	137,349	-	-	419,169
Other revenue	-	570	121	-	65	756
Total segment revenue	211,915	70,475	137,470	-	65	419,925
Segment net operating profit (loss) before income tax	58,300	716	33,534	(752)	(48,950)	42,848
Total segment assets	1,037,257	38,693	175,917	1,398,182	110,712	2,760,761
Total segment liabilities	34,071	40,402	25,665	823,010	37,689	960,837
Acquisition of property, plant and equipment	2,479	788	7,525	2,092	-	12,884
Impairment loss before tax	-	-	-	-	25,026	25,026
Depreciation and amortisation	47,575	24,463	16,502	-	94	88,634
Other non-cash expenses	254	101	256	621	-	1,232

Year ended 30 June 2016						
Revenue from external customers	214,998	63,796	132,773	-	-	411,567
Other revenue	-	130	214	-	30	374
Total segment revenue	214,998	63,926	132,987	-	30	411,941
Segment net operating profit (loss) before income tax	64,330	(3,532)	17,317	(196)	(57,405)	20,514
Total segment assets	840,174	65,738	145,892	1,213,261	111,412	2,376,477
Total segment liabilities	36,813	35,200	22,816	682,152	33,588	810,569
Acquisition of property, plant and equipment	4,540	1,638	1,779	516	-	8,473
Impairment loss before tax	-	-	-	-	35,518	35,518
Depreciation and amortisation	50,282	22,503	25,703	-	79	98,567
Other non-cash expenses	233	32	246	196	-	707

1 Segment information (continued)

(c) Segment revenue

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

	2017 $'000	2016 $'000
Revenue from external customers	**419,925**	411,941
Other revenue from continuing operations	**2,001**	1,247
Total revenue	**421,926**	413,188

Revenues for the Long Operation are all derived from a single customer, being BHP Billiton Nickel West Pty Ltd.

Revenues for the Jaguar Operation were derived from multiple customers during the year.

Revenues for the Tropicana Operation were derived from multiple customers during the year.

(d) Segment net profit (loss) before income tax

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

	2017 $'000	2016 $'000
Segment net operating profit before income tax	**42,848**	20,514
Interest revenue on corporate cash balances and other unallocated revenue	**2,001**	1,247
Fair value movement of corporate financial investments	**4,362**	2,396
Share-based payments expense	**(1,147)**	(819)
Other corporate costs and unallocated other income	**(16,570)**	(16,298)
Borrowing and finance costs	**(26)**	(64)
Acquisition and other integration costs	**(3,910)**	(65,137)
Depreciation expense on corporate assets	**(1,141)**	(1,051)
Total net profit (loss) before tax	**26,417**	(59,212)

(e) Segment assets

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

	2017 $'000	2016 $'000
Total assets for reportable segments	**2,760,761**	2,376,477
Intersegment eliminations	**(847,104)**	(616,812)
Unallocated assets:		
Deferred tax assets	**251,429**	219,427
Listed equity securities	**15,339**	4,989
Cash and receivables held by the parent entity	**24,171**	18,967
Office and general plant and equipment	**3,887**	4,343
Total assets as per the balance sheet	**2,208,483**	2,007,391

1 Segment information (continued)

(f) Segment liabilities

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

	2017 $'000	2016 $'000
Total liabilities for reportable segments	**960,837**	810,569
Intersegment eliminations	**(828,456)**	(690,382)
Unallocated liabilities:		
Deferred tax liabilities	**139,903**	100,949
Creditors and accruals	**3,854**	63,358
Provision for employee entitlements	**2,520**	1,280
Bank loans	**197,041**	265,826
Total liabilities as per the balance sheet	**475,699**	551,600

2 Revenue

	2017 $'000	2016 $'000
Sales revenue		
Sale of goods	**419,169**	411,567
	419,169	411,567
Other revenue		
Interest revenue	**2,217**	1,458
Other revenue	**540**	163
	2,757	1,621
Total revenue	**421,926**	413,188

(a) Recognition and measurement

Revenue is 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 products to customers, and includes hedging gains and losses. Sales are initially recognised at estimated sales value when the product is sold. Adjustments are made for variations in metals price, assay, weight and currency between the time of sale and the time of final settlement of sales proceeds.

Interest income

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.

3 Other income

	2017 $'000	2016 $'000
Net foreign exchange gains	**-**	907
Net gain on sale of investments	**-**	1,433
Net gain on disposal of tenements	**-**	1,522
	-	3,862

4 Expenses and losses

	2017 $'000	2016 $'000
Cost of sale of goods	**235,134**	233,880
Employee benefits expenses	**64,740**	66,975
Share-based payments expense	**1,147**	819
Exploration costs expensed	**20,139**	19,720
Rental expense relating to operating leases	**1,597**	1,473
Rehabilitation and restoration borrowing costs	**1,232**	707
Impairment of exploration and evaluation expenditure	**24,891**	35,518
Impairment of assets	**135**	-
Net loss of sale of property, plant and equipment	**613**	219
Net foreign exchange losses	**570**	-
Amortisation expense	**76,652**	84,843
Depreciation		
Depreciation expense	**14,427**	15,759
Less : amounts capitalised	**(1,306)**	(907)
Depreciation expensed	**13,121**	14,852
Borrowing and finance costs		
Borrowing and finance costs - other entities	**8,706**	10,729
Amortisation of borrowing costs	**4,099**	402
Less: amounts capitalised	**(12,779)**	(11,055)
Finance costs expensed	**26**	76

5 Income tax

(a) Income tax expense

	2017 $'000	2016 $'000
The major components of income tax expense are:		
Deferred income tax expense	**41,471**	17,087
Current income tax (benefit) expense	**(32,065)**	(17,529)
Income tax expense (benefit)	**9,406**	(442)
Deferred income tax revenue (expense) included in income tax expense comprises:		
Increase in deferred tax assets	**(29,247)**	(25,141)
Increase in deferred tax liabilities	**38,653**	24,699
Deferred income tax expense (benefit)	**9,406**	(442)

5 Income tax (continued)

(b) Amounts recognised directly in equity

	2017 $'000	2016 $'000
Deferred income tax benefit (expense) related to items charged or credited to other comprehensive income or directly to equity:		
Recognition of hedge contracts	**104**	173
Costs associated with capital raising	**(2,258)**	-
Income tax expense reported in equity	**(2,154)**	173

(c) Numerical reconciliation of income tax expense to prima facie tax payable

	2017 $'000	2016 $'000
Profit (loss) from continuing operations before income tax expense	**26,417**	(59,212)
Tax expense (benefit) at the Australian tax rate of 30% (2016: 30%)	**7,925**	(17,764)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**51**	(1,378)
Non-deductible costs associated with acquisition of subsidiary	**1,173**	19,234
Other non-deductible items	**-**	17
Capital losses not brought to account	**84**	-
Previously unrecognised capital losses brought to account	**-**	(721)
Difference in overseas tax rates	**46**	20
Overseas tax losses not brought to account	**126**	56
Adjustments for current tax of prior periods	**1**	94
Income tax expense (benefit)	**9,406**	(442)

(d) Reconciliation of carry forward tax losses, income tax paid and effective income tax rate

	2017 $'000	2016 $'000
Tax effected balances at 30%		
Carry forward tax losses at the beginning of the year	**166,506**	92,958
Tax losses arising (recouped) from current income tax benefit (expense)	**32,065**	17,529
Tax losses acquired through business combination	**-**	56,019
Income tax paid during the year	**-**	-
Carry forward tax losses at the end of the year	**198,571**	166,506
Effective income tax rate	**-%**	-%

5 Income tax (continued)

(e) Deferred tax assets and liabilities

	Balance Sheet		**Profit or loss**		**Equity**		**Acquisition of Subsidiary**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Deferred tax liabilities								
Capitalised exploration expenditure	**(13,285)**	(20,393)	**(7,108)**	(4,521)	**-**	-	**-**	-
Mine properties	**(115,721)**	(73,270)	**42,451**	26,853	**-**	-	**-**	1,974
Deferred gains and losses on hedging contracts	**(197)**	(1,440)	**(1,544)**	(323)	**301**	296	**-**	-
Trade debtors	**(6,906)**	(3,932)	**2,974**	2,555	**-**	-	**-**	-
Consumable inventories	**(2,514)**	(1,700)	**814**	(48)	**-**	-	**-**	-
Other	**(1,280)**	(214)	**1,066**	183	**-**	-	**-**	-
Gross deferred tax liabilities	**(139,903)**	(100,949)	**38,653**	24,699	**301**	296	**-**	1,974
Deferred tax assets								
Property, plant and equipment	**17,965**	21,370	**3,405**	(730)	**-**	-	**-**	-
Deferred losses on hedged commodity contracts	**365**	1,711	**1,543**	(684)	**(197)**	(123)	**-**	-
Concentrate inventories	**-**	-	**-**	398	**-**	-	**-**	-
Business-related capital allowances	**5,509**	5,007	**2,056**	1,554	**(2,258)**	-	**(300)**	(5,653)
Provision for employee entitlements	**4,740**	2,654	**(2,086)**	46	**-**	-	**-**	-
Provision for rehabilitation	**21,813**	19,908	**(1,905)**	(9,636)	**-**	-	**-**	(1,974)
Mining information	**715**	1,022	**307**	370	**-**	-	**-**	-
Carry forward tax losses	**198,571**	166,506	**(32,065)**	(17,529)	**-**	-	**-**	(56,019)
Other	**1,751**	1,249	**(502)**	1,070	**-**	-	**-**	-
Gross deferred tax assets	**251,429**	219,427	**(29,247)**	(25,141)	**(2,455)**	(123)	**(300)**	(63,646)
Deferred tax expense (benefit)	**111,526**	118,478	**9,406**	(442)	**(2,154)**	173	**(300)**	(61,672)

(f) Tax losses

In addition to the above recognised tax losses, the Group also has the following capital tax losses for which no deferred tax asset has been recognised:

	2017 $'000	2016 $'000
Unrecognised capital tax losses	**280**	-
Potential tax benefit @ 30% (2016: 30%)	**84**	-

(g) Recognition and measurement

Current taxes

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

5 Income tax (continued)

(g) Recognition and measurement (continued)

Current taxes (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes

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 is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Offsetting deferred tax balances

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(h) Significant estimates

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining deferred tax assets and liabilities. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future forecast taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the relevant tax legislation associated with their recoupment.

The Australian consolidated tax group has recognised a deferred tax asset relating to carry forward tax losses of $198,571,000 at 30 June 2017 (2016: $166,506,000). The utilisation of this deferred tax asset amount depends upon future taxable amounts in excess of profits arising from the reversal of temporary differences. The Group believes this amount to be recoverable based on taxable income projections.

6 Earnings per share

(a) Earnings used in calculating earnings per share

Profit (loss) used in calculating basic and diluted earnings per share attributable to ordinary equity holders of the parent is $17,011,000 (2016: $58,770,000 loss).

(b) Weighted average number of shares used as the denominator

	2017 Number	2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**580,422,734**	448,064,084
Adjustments for calculation of diluted earnings per share:		
Share rights	**1,333,910**	-
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**581,756,644**	448,064,084

(c) Information concerning the classification of securities

Share rights

Share rights granted to executives and employees under the Company's Employee Incentive Plan are included in the calculation of diluted earnings per share in the current period. The share rights were not included in the calculation of diluted earnings per share in the prior period as they were anti-dilutive. The share rights are not included in the determination of basic earnings per share. Further information about the share rights is provided in note 27.

(d) Calculation of earnings per share

(i) ***Basic earnings per share***

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) ***Diluted earnings per share***

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Working Capital Provisions

This section of the notes provides further information about the Group's working capital and provisions, including accounting policies and key judgements and estimates relevant to understanding these items.

7 Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and in hand	**35,733**	46,235
Deposits at call	**30**	29
	35,763	46,264

The Group has cash balances of $108,000 (2016: $2,360,000) not generally available for use as the balances are held by the Tropicana Joint Venture and may only be used in relation to joint venture expenditure.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

(a) Reconciliation of profit (loss) after income tax to net cash inflow from operating activities

	2017 $'000	2016 $'000
Profit (loss) for the period	**17,011**	(58,770)
Depreciation and amortisation	**89,773**	99,695
Impairment of exploration and evaluation expenditure	**24,891**	35,518
Impairment of assets	**135**	-
Net (gain) loss on sale of non-current assets	**613**	(2,736)
Fair value of movement of financial investments	**(4,343)**	(2,374)
Non-cash employee benefits expense - share-based payments	**1,147**	819
Amortisation of borrowing expenses	**-**	27
Amortisation of lease incentive	**(78)**	(72)
Foreign exchange gains (losses) on cash balances	**223**	(907)
Change in operating assets and liabilities:		
(Increase) decrease in trade receivables	**(10,425)**	(6,488)
(Increase) decrease in inventories	**635**	(12,914)
(Increase) decrease in deferred tax assets	**(29,445)**	(25,264)
(Increase) decrease in other operating receivables and prepayments	**(955)**	2,254
(Increase) decrease in derivative financial instruments	**-**	3,359
(Decrease) increase in trade and other payables	**(58,517)**	44,851
(Decrease) increase in deferred tax liabilities	**38,850**	24,822
(Decrease) increase in other provisions	**8,163**	240
Net cash inflow from operating activities	**77,678**	102,060

(b) Non-cash investing and financing activities

There were no non-cash investing and financing activities during the current or previous year.

(c) Recognition and measurement

Cash and cash equivalents in the balance sheet 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 balance sheet.

8 Trade and other receivables

	2017 $'000	2016 $'000
Trade receivables	**50,047**	21,561
GST Receivable	**4,372**	3,804
Sundry debtors	**2,139**	2,741
Prepayments	**2,825**	2,794
	59,383	30,900

No balances within trade and other receivables contain impaired assets. The balance of trade receivables includes amounts of $1,547,000 (2016: $1,448,000) that are past due but not impaired.

(a) Recognition and measurement

(i) Trade 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 copper and zinc concentrates and nickel ore.

(ii) Impairment of trade receivables

Collectibility of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An allowance is made for doubtful debts based on credit losses expected over the life of the trade receivable taking into account information about past events, current conditions and forecasts of further economic conditions. On confirmation that the trade receivable will not be collectible, the gross carrying value of the asset is written off against the associated provision.

9 Inventories

	2017 $'000	2016 $'000
Current		
Mine spares and stores - at cost	**20,447**	16,368
ROM inventory - at cost	**29,516**	19,513
Concentrate inventory - at cost	**10,078**	7,058
Work in progress - gold in process	**-**	1,175
Gold in circuit	**882**	1,145
Gold dore	**2,235**	1,239
	63,158	46,498

Non-current		
ROM inventory - at cost	**20,077**	31,995
	20,077	31,995

(a) Classification of inventory

Inventory classified as non-current relates to 0.6g/t to 1.2g/t grade gold ore stockpiles which are not intended to be utilised within the next 12 months but will be utilised beyond that period.

9 Inventories (continued)

(b) Recognition and measurement

(i) Ore, concentrate and gold inventories

Inventories, comprising copper and zinc in concentrate, gold dore, gold in circuit and ore stockpiles, 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. A portion of the related depreciation, depletion and amortisation charge is included in the cost of inventory.

(ii) Stores and fuel

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

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

(c) Key estimates and judgements

The Group reviews the carrying value of inventories regularly to ensure that their cost does not exceed net realisable value. In determining net realisable value various factors are taken into account, including estimated future sales price of the product based on prevailing spot metals prices at the reporting date, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the amount of contained metal based on assay data, and the estimated recovery percentage based on the expected processing method.

10 Financial assets at fair value through profit or loss

	2017 $'000	2016 $'000
Shares in Australian listed companies - at fair value through profit or loss	**15,348**	5,017
	15,348	5,017

(a) Amounts recognised in profit or loss

During the current year, the changes in fair values of financial assets resulted in a gain to the profit or loss of $4,343,000 (2016: $2,374,000). Changes in fair values of financial assets at fair value through profit or loss are recorded in fair value movement of financial investments in the profit or loss.

(b) Recognition and measurement

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, ie are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

11 Trade and other payables

	2017 $'000	2016 $'000
Current liabilities		
Trade payables	**6,401**	9,933
Other payables	**42,651**	97,199
	49,052	107,132

(a) Recognition and measurement

These amounts represent liabilities for goods and services provided to the Group prior to the end of 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 method.

12 Provisions

	2017 $'000	2016 $'000
Current		
Provision for employee entitlements	**7,647**	6,901
Provision for restructuring costs	**6,374**	-
Provision for rehabilitation costs	**1,238**	-
	15,259	6,901

	2017 $'000	2016 $'000
Non-current		
Provision for employee entitlements	**1,779**	1,946
Provision for rehabilitation costs	**71,449**	66,359
	73,228	68,305

(a) Movements in provisions

Movements in the provision for rehabilitation costs during the financial year are set out below:

	2017 $'000	2016 $'000
Carrying amount at beginning of financial year	**66,359**	27,660
Additional provision	**5,119**	31,439
Additional provision on acquisition of subsidiary	**-**	6,579
Rehabilitation and restoration borrowing costs expense	**1,232**	707
Payments during the period	**(23)**	(26)
Carrying amount at end of financial year	**72,687**	66,359

(b) Recognition and measurement

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

12 Provisions (continued)

(b) Recognition and measurement (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as rehabilitation and restoration borrowing expense in the profit or loss.

(i) ***Rehabilitation and restoration***

Long-term environmental obligations are based on the Group'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.

(ii) ***Employee benefits***

The provision for employee benefits represents annual leave and long service leave entitlements accrued by employees.

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly 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 amounts are presented as current employee entitlements in the balance sheet.

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. 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 end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(c) Key estimates and judgements

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.

Long service leave

Long service leave is measured at the present value of benefits accumulated up to the end of the reporting period. The liability is discounted using an appropriate discount rate. Management requires judgement to determine key assumptions used in the calculation, including future increases in salaries and wages, future on-costs rates and future settlement dates of employees' departures.

Invested Capital

This section of the notes provides further information about property, plant and equipment, mine properties and exploration and evaluation expenditure and the carrying amount of these non-financial assets, including accounting policies, key judgements and estimates relevant to understanding these items.

13 Property, plant and equipment

	Land and buildings $'000	Mining plant and equipment $'000	Furniture, fittings and other equipment $'000	Motor vehicles $'000	Assets under construction $'000	Total $'000
Year ended 30 June 2017						
Cost	37,652	140,391	13,137	7,008	3,989	202,177
Accumulated depreciation and impairment	(23,030)	(120,090)	(9,354)	(4,781)	-	(157,255)
Net book amount	14,622	20,301	3,783	2,227	3,989	44,922
Movements						
Opening net book amount	19,095	19,514	4,069	2,097	2,534	47,309
Acquisition of subsidiary	-	-	44	120	-	164
Additions	290	7,338	1,130	1,046	3,763	13,567
Assets included in a disposal group classified as held for sale	(996)	-	(17)	-	-	(1,013)
Transfers	-	3,127	185	-	(2,308)	1,004
Disposals	(1,024)	(509)	(14)	-	-	(1,547)
Depreciation charge	(2,608)	(9,169)	(1,614)	(1,036)	-	(14,427)
Impairment loss	(135)	-	-	-	-	(135)
Closing net book amount	14,622	20,301	3,783	2,227	3,989	44,922
Year ended 30 June 2016						
Cost	39,383	133,754	11,773	5,900	2,534	193,344
Accumulated depreciation and impairment	(20,288)	(114,240)	(7,704)	(3,803)	-	(146,035)
Net book amount	19,095	19,514	4,069	2,097	2,534	47,309
Movements						
Opening net book amount	20,041	20,086	2,467	1,219	3,431	47,244
Acquisition of subsidiary	1,113	1,010	510	788	11	3,432
Additions	412	6,045	1,777	780	1,378	10,392
Transfers	1,332	2,297	847	70	(2,286)	2,260
Disposals	(127)	(87)	(22)	(24)	-	(260)
Depreciation charge	(3,676)	(9,837)	(1,510)	(736)	-	(15,759)
Closing net book amount	19,095	19,514	4,069	2,097	2,534	47,309

(a) Non-current assets pledged as security

Refer to note 16 for information on non-current assets pledged as security by the Group.

13 Property, plant and equipment (continued)

(b) Recognition and measurement

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. It also includes the direct cost of bringing the asset to the location and condition necessary for first use and the estimated future cost of rehabilitation, where applicable. The assets 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.

Depreciation

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

Depreciation periods are primarily:	
Buildings	5 - 10 years
Mining plant and equipment	2 - 10 years
Motor vehicles	3 - 8 years
Furniture and fittings	3 - 10 years
Leased assets	3 - 4 years

Depreciation is expensed as incurred, unless it relates to an asset or operation in the construction phase, in which case it is capitalised.

Derecognition

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits. Any gain or loss from derecognising the asset (being the difference between the proceeds of disposal and the carrying amount of the asset) is included in the profit or loss in the period the item is derecognised.

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

(c) Key estimates and judgements

The estimations of useful lives, residual values and depreciation methods require significant management judgements and are regularly reviewed. If they need to be modified, the depreciation and amortisation expense is accounted for prospectively from the date of the assessment until the end of the revised useful life (for both the current and future years).

14 Mine properties

	Mine properties in development $'000	Mine properties in production $'000	Deferred stripping $'000	Total mine properties $'000
Year ended 30 June 2017				
Cost	**1,355,722**	**627,098**	**118,579**	**2,101,399**
Accumulated amortisation and impairment	**-**	**(424,816)**	**(63,664)**	**(488,480)**
Net book amount	**1,355,722**	**202,282**	**54,915**	**1,612,919**
Movements				
Opening net book amount	**1,197,011**	**239,076**	**34,764**	**1,470,851**
Additions	**144,626**	**20,766**	**39,920**	**205,312**
Transfers from exploration and evaluation expenditure	**-**	**327**	**-**	**327**
Transfers to property, plant and equipment	**-**	**(1,004)**	**-**	**(1,004)**
Amortisation expense	**-**	**(56,883)**	**(19,769)**	**(76,652)**
Borrowing costs capitalised	**12,779**	**-**	**-**	**12,779**
Depreciation expense capitalised	**1,306**	**-**	**-**	**1,306**
Closing net book amount	**1,355,722**	**202,282**	**54,915**	**1,612,919**
Year ended 30 June 2016				
Cost	1,197,011	607,009	78,659	1,882,679
Accumulated amortisation and impairment	-	(367,933)	(43,895)	(411,828)
Net book amount	1,197,011	239,076	34,764	1,470,851
Movements				
Opening net book amount	-	271,724	31,576	303,300
Additions	200,273	28,418	18,639	247,330
Acquisition of subsidiary	984,776	-	-	984,776
Transfers from exploration and evaluation expenditure	-	10,586	-	10,586
Transfers to property, plant and equipment	-	(2,260)	-	(2,260)
Amortisation expense	-	(69,392)	(15,451)	(84,843)
Borrowing costs capitalised	11,055	-	-	11,055
Depreciation expense capitalised	907	-	-	907
Closing net book amount	1,197,011	239,076	34,764	1,470,851

(a) Recognition and measurement

(i) Mine properties in development

Mine properties in development represent the expenditure incurred when technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, and includes the costs incurred up until such time as the asset is capable of being operated in a manner intended by management. 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.

14 Mine properties (continued)

(a) Recognition and measurement (continued)

(ii) Mine properties in production

Mine properties in production represent the accumulation of all acquisition, exploration, evaluation and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which mining of the mineral resource has commenced. When further development expenditure, including waste development and stripping, is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property only when substantial future economic benefits are established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a units-of-production basis, with separate calculations being made for each mineral resource. The units-of-production method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves).

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

(iii) Deferred stripping

Stripping activity costs incurred in the development phase of a mine are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units-of-production basis.

Stripping activity incurred during the production phase of a mine is assessed as to whether the benefit accruing from that activity is to provide access to ore that can be used to produce ore inventory, or whether it in addition provides improved access to ore that will be mined in future periods.

To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the Group accounts for those stripping activity costs in accordance with AASB102 *Inventories*. A stripping activity asset is brought to account if it is probable that future economic benefits (improved access to the ore body) will flow to the Group, the component of the ore body for which access has been improved can be identified and costs relating to the stripping activity can be measured reliably.

The amount of stripping activity costs that are capitalised is determined based on a comparison of the stripping ratio in the relevant period with the life of mine stripping ratio. To the extent that there is a period of sustained stripping that exceeds the average life of mine stripping ratio, mine waste stripping costs are capitalised to the stripping activity asset. Such capitalised costs are amortised over the life of that mine on a units-of-production basis. The life of mine ratio is based on ore reserves of the mine. Changes to the life of mine are accounted for prospectively.

(b) Key estimates and judgements

(i) Proved and probable ore reserves

The Group uses the concept of life of mine as an accounting value to determine the amortisation of mine properties. In determining life of mine, the Group prepares ore reserve estimates in accordance with the JORC Code 2012, 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. The estimate of these proved and probable ore reserves, by their very nature, require judgements, estimates and assumptions.

Where the proved and probable reserve estimates need to be modified, the amortisation expense is accounted for prospectively from the date of the assessment until the end of the revised mine life (for both the current and future years).

(ii) Deferred stripping

The Group defers advanced stripping costs incurred during the production stage of its operations. This calculation requires the use of judgements and estimates, such as estimates of tonnes of waste to be removed over the life of the mining area and economically recoverable reserves extracted as a result. Changes in a mine's life and design may result in changes to the expected stripping ratio (waste to mineral reserves ratio). Any resulting changes are accounted for prospectively.

15 Exploration and evaluation

	Jaguar Operation $'000	Long Operation $'000	Nova Project $'000	Stockman Project $'000	Windward $'000	Other $'000	Total $'000
Year ended 30 June 2017							
Opening net book amount	5,250	-	34,100	68,183	-	-	107,533
Acquisition of subsidiary	-	-	-	-	17,823	-	17,823
Additions	216	603	-	-	-	2,843	3,662
Assets included in a disposal group classified as held for sale	-	-	-	(43,784)	-	-	(43,784)
Impairment loss	-	(492)	-	(24,399)	-	-	(24,891)
Transfer to mine properties in production	(216)	(111)	-	-	-	-	(327)
Closing net book amount	5,250	-	34,100	-	17,823	2,843	60,016
Year ended 30 June 2016							
Opening net book amount	8,235	-	-	100,716	-	979	109,930
Acquisition of subsidiary	-	-	34,100	-	-	-	34,100
Additions	3,152	7,434	-	-	-	-	10,586
Assets included in a disposal group classified as held for sale	-	-	-	-	-	(979)	(979)
Impairment loss	(2,985)	-	-	(32,533)	-	-	(35,518)
Transfer to mine properties in production	(3,152)	(7,434)	-	-	-	-	(10,586)
Closing net book amount	5,250	-	34,100	68,183	-	-	107,533

(a) Impairment

The Group recognised impairment charges of $24,891,000 during the current reporting period (2016: $35,518,000).

15 Exploration and evaluation (continued)

(a) Impairment (continued)

An amount of $24,399,000 related to the Stockman Project, which is an exploration asset reported within the New Business and Regional Exploration Activities segment. The circumstances and events that led to the recognition of the impairment loss emerged following an assessment for the existence of impairment triggers as at 30 June 2017 in accordance with AASB6 *Exploration for and Evaluation of Mineral Resources*. The recognised impairment charge has been determined with reference to the recoverable amount of the asset being assessed based on its fair value less costs of disposal.

The recoverable amount has been determined in accordance with the announcement to the ASX on 14 June 2017 titled “Agreement to Divest Stockman Project”, with reference to an executed sale agreement between Independence Stockman Project Pty Ltd, a wholly owned subsidiary of the Company, and CopperChem Limited, a wholly owned subsidiary of Washington H Soul Pattinson and Company Limited.

Terms of the sale agreement include a deferred cash consideration component of $31,600,000, and a net smelter return royalty for which the Company has determined a value. Key assumptions include a pre-tax real discount rate of 10.5%, and five year average commodity prices as follows: Copper: USD5,808 per tonne, Zinc: USD2,520 per tonne, Silver: USD17.86 per ounce and foreign exchange: USD:AUD 0.74.

As the fair value of the Stockman Project was determined in reference to the sales contract and use of observable inputs, this is a level 2 measurement of the fair value hierarchy. Refer to note 21(d) for the policy relating to fair value hierarchy.

In the previous financial year, an impairment $24,399,000 related to the Stockman Project. The recognised impairment charge was determined with reference to the recoverable amount of the asset being assessed based on its fair value less costs of disposal.

The Company adopted a discounted cash flow fair value model to arrive at the recoverable amount. Key assumptions include a post-tax real discount rate of 10.2%, and five year average commodity prices as follows: Copper: USD5,380 per tonne, Zinc: USD2,076 per tonne, Silver: USD16.50 per ounce and foreign exchange: USD:AUD 0.72.

(b) Recognition and measurement

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource.

Exploration and evaluation expenditure is expensed to the profit or loss as incurred except in the following circumstances in which case the expenditure may be capitalised:

- The existence of a commercially viable mineral deposit has been established and it is anticipated that future economic benefits are more likely than not to be generated as a result of the expenditure; and
- The exploration and evaluation activity is within an area of interest which was acquired as an asset acquisition or in a business combination and measured at fair value on acquisition.

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

Upon approval for the commercial development of an area of interest, exploration and evaluation assets are tested for impairment and transferred to 'Mine properties in development'. No amortisation is charged during the exploration and evaluation phase.

(c) Key estimates and judgements

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

The Group reviews the carrying value of exploration and evaluation expenditure on a regular basis to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support continued carry forward of capitalised costs. This assessment requires judgement as to the status of the individual projects and their estimated recoverable amount.

Capital structure and financing activities

This section of the notes provides further information about the Group's borrowings, contributed equity, reserves and dividends, including accounting policies relevant to understanding these items.

16 Borrowings

	2017 $'000	2016 $'000
Current		
Unsecured		
Bank loans	**56,226**	43,154
Total current borrowings	**56,226**	43,154

	2017 $'000	2016 $'000
Non-current		
Unsecured		
Bank loans	**140,815**	222,672
Total non-current borrowings	**140,815**	222,672

(a) Corporate loan facility

On 16 July 2015, the Company entered into a Syndicated Facility Agreement (Facility Agreement) with National Australia Bank Limited, Australia and New Zealand Banking Group Limited and Commonwealth Bank of Australia Limited for a $550,000,000 unsecured committed term finance facility. The Facility Agreement comprises:

- A $350,000,000 amortising term loan facility expiring in September 2020; and
- A $200,000,000 revolving loan facility expiring in September 2020.

In October 2016, Company repaid $71,000,000 of the amortising term loan facility and also cancelled a further $79,000,000 of the same facility. Following this restructure, the Company has available facilities of: amortising loan facility of $200,000,000, which is fully drawn at balance date; and revolving loan facility of $200,000,000, which is undrawn at balance date.

Total capitalised transaction costs to 30 June 2017 are $5,495,000 (2016: $5,549,000). Transaction costs are accounted for under the effective interest rate method. These costs are incremental costs that are directly attributable to the loan and include loan origination fees, commitment fees and legal fees. At 30 June 2017, a balance of unamortised transaction costs of $2,959,000 (2016: $5,174,000) was offset against the bank loans contractual liability of $200,000,000 (2016: $271,000,000).

Borrowing costs incurred during the year of $12,779,000 (2016: $11,055,000) relate to a qualifying asset (Nova Project) and have been capitalised in accordance with AASB 123 *Borrowing Costs*. Refer to note 14.

The Facility Agreement has certain financial covenants that the Company has to comply with. All such financial covenants have been complied with in accordance with the Facility Agreement.

(b) Assets pledged as security

There were no assets pledged as security at 30 June 2017 (2016: $nil).

16 Borrowings (continued)

(c) Financing arrangements

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

	2017 $'000	2016 $'000
Total facilities		
Corporate debt facility	**400,000**	550,000
Contingent instrument facility[1]	**1,281**	1,315
	401,281	551,315
Facilities used as at reporting date		
Corporate debt facility	**200,000**	271,000
Contingent instrument facility	**1,281**	1,315
	201,281	272,315
Facilities unused as at reporting date		
Corporate debt facility	**200,000**	279,000
	200,000	279,000

1. This facility provides financial backing in relation to non-performance of third party guarantee requirements.

(d) Recognition and measurement

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs and amortised over the period of the remaining facility.

(ii) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

17 Contributed equity

(a) Share capital

	2017 $'000	2016 $'000
Fully paid issued capital	**1,878,469**	1,601,458

17 Contributed equity (continued)

(a) Share capital (continued)

(b) Movements in ordinary share capital

Details	2017 Number of shares	2017 $'000	2016 Number of shares	2016 $'000
Balance at beginning of financial year	511,422,871	1,601,458	234,256,573	737,324
Issue of shares under the Employee Performance Rights Plan	268,796	820	1,323,614	3,505
Acquisition of subsidiary	-	-	275,842,684	860,629
Share placement and share purchase plan issues	75,055,356	281,459	-	-
Less: Transaction costs arising on share issue (net of tax)	-	(5,268)	-	-
Balance at end of financial year	586,747,023	1,878,469	511,422,871	1,601,458

(c) Capital management

The Board's policy is to preserve a strong balance sheet so as to maintain investor, creditor and market confidence, and to sustain ongoing and future development of the business. Demonstrating the Company's balance sheet strength are various financing and liquidity ratios, supported by strong EBITDA margins:

	2017	2016
Current ratio (times)	**1.4**	**0.8**
Debt to equity	**12%**	**19%**
Underlying EBITDA margin	**35%**	**33%**

The Group's capital comprises equity, including reserves, and net debt/(cash). As at 30 June 2017 this totalled $1,897,021,000, an increase of 13% over 2016. Contributing to the increase was an equity raising in July 2016 and the continued investment during 2017 in building and commissioning the Nova Operation.

An appropriate allocation and deployment of capital is required to maintain a strong balance sheet. Primarily, capital is allocated to ensure that the Company's operations are able to generate cash flows, at appropriate margins, and to continue to operate safely according to plan. In addition, the Company operates in a cyclical commodity price environment, and in that context considers the allocation of capital in order to provide a buffer from future potential adverse price movements. The Company also preserves and manages its capital to repay debt and invest in growth and acquire assets. The Company also returns capital to shareholders by way of dividend payments which target 30 % of net profit after tax, after excluding non-recurring items.

Sources of capital of the Company are equity markets, through the raising of capital, as well as debt markets.

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.

(d) Recognition and measurement

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. 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.

18 Reserves

	2017 $'000	2016 $'000
Hedging reserve	**(391)**	(632)
Share-based payments reserve	**10,698**	10,371
Foreign currency translation	**(4)**	(8)
Acquisition reserve	**3,142**	3,142
	13,445	12,873

(a) Movements in reserves

The following table shows a breakdown of the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Hedging reserve $'000	**Share- based payments reserve $'000**	**Acquisition reserve $'000**	**Foreign currency translation reserve $'000**	**Total $'000**
Balance at 1 July 2016	(632)	10,371	3,142	(8)	12,873
Revaluation - gross	676	-	-	-	676
Deferred tax	(203)	-	-	-	(203)
Transfer to profit or loss - gross	(331)	-	-	-	(331)
Deferred tax	99	-	-	-	99
Currency translation differences - current period	-	-	-	4	4
Share-based payment expenses	-	1,147	-	-	1,147
Issue of shares under the Employee Performance Rights Plan	-	(820)	-	-	(820)
Balance at 30 June 2017	(391)	10,698	3,142	(4)	13,445
Balance at 1 July 2015	-	13,057	3,142	(8)	16,191
Reclassification on adoption of AASB 9, net of tax	(1,036)	-	-	-	(1,036)
Adjusted balance at 1 July 2015	(1,036)	13,057	3,142	(8)	15,155
Revaluation - gross	577	-	-	-	577
Deferred tax	(173)	-	-	-	(173)
Share-based payment expenses	-	819	-	-	819
Issue of shares under the Employee Performance Rights Plan	-	(3,505)	-	-	(3,505)
Balance at 30 June 2016	(632)	10,371	3,142	(8)	12,873

(b) Nature and purpose of reserves

Hedging reserve

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

18 Reserves (continued)

(b) Nature and purpose of reserves (continued)

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 27 for further details of these plans.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

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.

19 Dividends paid and proposed

(a) Ordinary shares

	2017 $'000	2016 $'000
Final ordinary dividend for the year ended 30 June 2016 of 2 cents (2015: 2.5 cents) per fully paid share	**11,734**	12,786
Interim dividend for the year ended 30 June 2017 of 1 cent (2016: nil cents) per fully paid share	**5,867**	-
Total dividends paid during the financial year	**17,601**	12,786

(b) Dividends not recognised at the end of the reporting period

	2017 $'000	2016 $'000
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 1 cent (2016: 2 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 22 September 2017 out of retained earnings at 30 June 2017, but not recognised as a liability at year end, is:	**5,867**	11,734

(c) Franked dividends

	2017 $'000	2016 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2016: 30%)	**34,829**	42,373

The above amounts are calculated from the balance of the franking account as 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 $2,515,000 (2016: $5,029,000).

19 Dividends paid and proposed (continued)

(d) Recognition and measurement

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Risk

This section of the notes includes information on the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

20 Derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as ‘held for trading’ for accounting purposes below. The Group has the following derivative financial instruments:

	2017 $'000	2016 $'000
Current assets		
Foreign currency contracts - cash flow hedges	**657**	-
Diesel hedging contracts - cash flow hedges	**-**	784
	657	784
Non-current assets		
Diesel hedging contracts - cash flow hedges	**-**	799
	-	799
Current liabilities		
Commodity hedging contracts - cash flow hedges	**910**	2,487
Diesel hedging contracts - cash flow hedges	**55**	-
	965	2,487
Non-current liabilities		
Diesel hedging contracts - cash flow hedges	**251**	-
	251	-

(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, commodity prices and diesel prices.

The derivative financial instruments are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as cash flow hedges. The Group's accounting policy for its cash flow hedges is set out below.

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

Refer to note 21 and below for details of the foreign currency, commodity prices and diesel fuel risk being mitigated by the Group’s derivative instruments as at 30 June 2017 and 30 June 2016.

Diesel

The Group held various diesel fuel hedging contracts at 30 June 2017 and 30 June 2016 to reduce the exposure to future increases in the price of the Singapore gasoil component of diesel fuel.

20 Derivatives (continued)

Diesel (continued)

The following table details the diesel fuel hedging contracts outstanding at the reporting date:

	Barrels of oil		**Weighted average price (AUD/barrel)**		**Fair value**	
	2017	2016	**2017**	2016	**2017 $'000**	2016 $'000
0 - 6 months	103,557	20,228	76.57	61.50	36	341
6 -12 months	104,161	29,532	78.56	65.61	(91)	443
1 - 2 years	54,346	60,525	81.08	74.37	(251)	799
Total	262,064	110,285	78.30	69.67	(306)	1,583

Copper

At 30 June 2017, the Group held various copper commodity contracts denominated in USD. Foreign exchange contracts are also held which match the terms of the commodity contracts. These contracts are used to reduce the exposure to a future decrease in the AUD market value of copper sales.

The following table details the copper contracts outstanding at the reporting date:

	Tonnes of metal		**Weighted average price (USD/metric tonne)**		**Fair value**	
	2017	2016	**2017**	2016	**2017 $'000**	2016 $'000
0 - 6 months	1,020	-	5,613	-	(435)	-
6 - 12 months	1,020	-	5,613	-	(475)	-
Total	2,040	-	5,613	-	(910)	-

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

	Notional amounts (USD)		**Weighted average AUD:USD exchange rate**		**Fair value**	
	2017 $'000	2016 $'000	**2017**	2016	**2017 $'000**	2016 $'000
Sell USD forward						
0 - 6 months	5,725	-	0.7353	-	330	-
6 - 12 months	5,726	-	0.7336	-	327	-
Total	11,451	-	0.7345	-	657	-

Gold

There were no gold collar structures (ie purchased put and sold call) held by the Group at 30 June 2017. The table below details the outstanding gold collar structures which were designated as hedges of future gold sales and were designated as cash flow hedges at 30 June 2016. These comprise:

	Ounces of metal		**Weighted average price (AUD/ounce)**		**Fair value**	
	2017	2016	**2017**	2016	**2017 $'000**	2016 $'000
0 - 6 months						
Gold put options purchased	-	12,500	-	1,330	-	4
Gold call options sold	-	12,500	-	1,593	-	(2,491)
Total/weighted average strike price						
Gold put options purchased	-	12,500	-	1,330	-	4
Gold call options sold	-	12,500	-	1,593	-	(2,491)

20 Derivatives (continued)

Gold (continued)

(b) Recognition and measurement

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents, at the inception of the hedging transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability. Movements in the hedging reserve in shareholder's equity are shown in note 18.

(i) ***Fair value hedge***

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) ***Cash flow hedge***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedging reserve in equity, limited to the cumulative change in the fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'.

The changes in the time value component of options that relate to hedged items are recognised with other comprehensive income in the hedging reserve within equity. The cumulative changes accumulated in the hedge reserve are reclassified to the profit or loss when the hedged item affects profit or loss.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(iii) ***Derivatives that do not qualify for hedge accounting***

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

21 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

Financial instruments are held by the Group for various purposes, including:

- Operational: Activities of the Group generate financial instruments which include cash, trade receivables and trade payables;

21 Financial risk management (continued)

- Financing: The Company may enter into debt instruments in order to finance both internal growth opportunities and acquire assets. Types of instruments used include syndicated and other bank loans and hire purchase agreements. Surplus funds are held either at call or as short-term deposits; and

- Risk management: The Group is exposed to commodity and foreign exchange risk which is overseen by management, under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. Financial instruments used by the Group to mitigate these risks include forward exchange contracts, commodity swaps and forward sales agreements.

By holding these financial instruments, the Group exposes itself to risk. The Board reviews and agrees the Group's policies for managing each of these risks, which are summarised below:

(a) Risk exposures and responses

(i) Foreign currency risk

As the Group's sales revenues for base and precious metals are denominated in United States dollars (USD) and the majority of operating costs are denominated in Australian dollars (AUD), the Group's cash flow is significantly exposed to movements in the AUD:USD exchange rate. The Group mitigates this risk through the use of derivative instruments, including, but not limited to, forward contracts denominated in AUD.

Financial instruments, including derivative instruments, denominated in USD and then converted into the functional currency (i.e. AUD) were as follows:

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	**8,162**	14,773
Trade and other receivables	**50,047**	19,969
Derivative financial instruments	**657**	-
	58,866	34,742
Financial liabilities		
Derivative financial instruments	**910**	-
	910	-
Net financial assets	**57,956**	34,742

The cash balance above only represents the cash held in the USD bank accounts at the reporting date and converted into AUD at the 30 June 2017 AUD:USD exchange rate of $0.7692 (2016: $0.7426). The remainder of the cash balance of $27,601,000 (2016: $31,491,000) was held in AUD and therefore not exposed to foreign currency risk.

The trade and other receivables amounts represent the USD denominated trade debtors. All other trade and other receivables were denominated in AUD at the reporting date.

The following table summarises the Group's sensitivity of financial instruments held at 30 June 2017 to movements in the AUD:USD exchange rate, with all other variables held constant.

Sensitivity of financial instruments to foreign currency movements	**Impact on post-tax profit**		**Impact on other components of equity**	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Increase/decrease in foreign exchange rate				
Increase 5.0%	**(1,934)**	(884)	**494**	-
Decrease 5.0%	**2,138**	988	**(546)**	-

21 Financial risk management (continued)

(a) Risk exposures and responses (continued)

(ii) Commodity price risk

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

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 50% of total nickel production tonnes.

Copper and zinc

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

It is the Board's policy to hedge between 0% and 50% of total copper and zinc production tonnes.

Gold

It is the Board's policy to hedge between 0% and 50% of forecast gold production from the Company's 30% interest in the Tropicana Gold Mine.

Diesel fuel

It is the Board's policy to hedge up to 75% of forecast diesel fuel usage. Diesel fuel price comprises a number of components, including Singapore gasoil and various other costs such as shipping and insurance. The total of all costs represents the wholesale or Terminal Gate Price (TGP) of diesel. The Group only hedges the Singapore gasoil component of the diesel TGP, which represents approximately 40% of the total diesel price.

The markets for base and precious metals are freely traded and can be volatile. As a relatively small producer, the Group has no ability to influence commodity prices. The Group mitigates this risk through derivative instruments, including, but not limited to, quotational period hedging, forward contracts and collar arrangements.

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

Financial instruments exposed to commodity price movements	**2017 $'000**	2016 $'000
Financial assets		
Trade and other receivables	**46,742**	18,520
Derivative financial instruments - diesel hedging contracts	**-**	1,583
	46,742	20,103
Financial liabilities		
Derivative financial instruments - commodity hedging contracts	**910**	2,487
Derivative financial instruments - diesel hedging contracts	**306**	-
	1,216	2,487
Net exposure	**45,526**	17,616

The following table summarises the sensitivity of financial instruments held at 30 June 2017 to movements in the nickel price, with all other variables held constant. Trade receivables valuation uses a sensitivity analysis of 1.5% (2016: 1.5%) and a 20.0% (2016: 20.0%) sensitivity rate is used to value derivative contracts.

Sensitivity of financial instruments to nickel price movements	**Impact on post-tax profit**	
	2017 $'000	2016 $'000
Increase/decrease in nickel prices		
Increase	**465**	177
Decrease	**(465)**	(177)

21 Financial risk management (continued)

(a) Risk exposures and responses (continued)

(ii) ***Commodity price risk (continued)***

The following table summarises the sensitivity of financial instruments held at 30 June 2017 to movements in the copper price, with all other variables held constant. Trade receivables valuation uses a sensitivity analysis of 1.5% (2016: 1.5%) and a 20.0% (2016: 20.0%) sensitivity rate is used to value derivative contracts.

Sensitivity of financial instruments to copper price movements	**Impact on post-tax profit**		**Impact on other components of equity**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Increase/decrease in copper price				
Increase	**9**	251	**(2,157)**	-
Decrease	**(9)**	(251)	**2,157**	-

The following table summarises the sensitivity of financial instruments held at 30 June 2017 to movements in the gold price, with all other variables held constant.

Sensitivity of financial instruments to gold price movements	**Impact on other components of equity**	
	2017 $'000	2016 $'000
Increase/decrease in gold price		
Increase 20% (2016: 20%)	**-**	(3,018)
Decrease 20% (2016: 20%)	**-**	1,743

The following table summarises the sensitivity of financial instruments held at 30 June 2017 to movements in the zinc price, with all other variables held constant.

Sensitivity of financial instruments to zinc price movements	**Impact on post-tax profit**	
	2017 $'000	2016 $'000
Increase/decrease in zinc price		
Increase 1.5% (2016: 1.5%)	**148**	225
Decrease 1.5% (2016: 1.5%)	**(148)**	(225)

The following table summarises the sensitivity of financial instruments held at 30 June 2017 to movements in the Singapore gasoil price, with all other variables held constant.

Sensitivity of financial instruments to Singapore gasoil price movements	**Impact on other components of equity**	
	2017 $'000	2016 $'000
Increase/decrease in Singapore gasoil price		
Increase 20% (2016: 20%)	**2,793**	1,301
Decrease 20% (2016: 20%)	**(2,793)**	(1,301)

(iii) ***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 20% (2016: 20%). At reporting date, if the equity prices had been higher or lower, net profit for the year would have increased or decreased by $2,149,000 (2016: $702,000).

21 Financial risk management (continued)

(a) Risk exposures and responses (continued)

(iv) ***Cash flow and fair value interest rate risk***

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

	30 June 2017 Weighted average interest rate %	**Balance $'000**	30 June 2016 Weighted average interest rate %	Balance $'000
Financial assets				
Cash and cash equivalents	**2.1%**	**35,763**	1.7%	46,264
	2.1%	**35,763**	1.7%	46,264
Financial liabilities				
Bank loans	**3.9%**	**200,000**	4.5%	271,000
	3.9%	**200,000**	4.5%	271,000

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.

Sensitivity of interest revenue and expense to interest rate movements	**Impact on post-tax profit** **2017 $'000**	2016 $'000
Interest revenue		
Increase 1.0% (2016: 1.0%)	**192**	276
Decrease 1.0% (2016: 1.0%)	**(192)**	(276)
Interest expense		
Increase 1.0% (2016: 1.0%)	**(1,400)**	(1,897)
Decrease 1.0% (2016: 1.0%)	**1,400**	1,897

(b) Credit risk

Gold bullion sales

Credit risk arising from the sale of gold bullion to the Company's customer is low as the payment by the customer (being The Perth Mint Australia) is guaranteed under statute by the Western Australian State Government. In addition, sales are made to high credit quality financial institutions, hence credit risk arising from these transactions is considered to be low.

Nickel, copper and zinc concentrate sales

Credit risk arising from sales to customers is managed by contracts that stipulate a provisional payment of between 90% and 100% of the estimated value of each sale. Provisional payments are made via an unconditional and irrevocable letter of credit, governed by the laws of Western Australia, and are expected to be received within a few business days. Title to the concentrate does not pass to the buyer until this provisional payment is received by the Group. Final payment is dependent on the quotation period of the respective purchase contract, and is also made via an irrevocable letter of credit.

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.

21 Financial risk management (continued)

(b) Credit risk (continued)

Nickel ore sales

The Group has a concentration of credit risk in that it depends on BHP Billiton Nickel West Pty Ltd (BHPB Nickel West) for sales revenue from the Long Operation. During the year ended 30 June 2017, all nickel ore 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 BHPB Nickel West is unable to accept supply of the Group's product due to a force majeure event. This has been further de-risked as the Nova Operation could accept ore from the Long Operation for processing and concentrate production. The risk is also further mitigated by the receipt of 70% of the value of any months' sale within a month of that sale occurring.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

Other

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

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

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

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	**35,763**	46,264
Trade and other receivables	**50,047**	21,561
Other receivables	**6,525**	6,559
Financial assets	**15,348**	5,017
Derivative financial instruments	**657**	1,583
	108,340	80,984

On analysis of trade and other receivables, no balances are impaired for either 30 June 2017 or 30 June 2016. Trade receivables balance includes $1,547,000 (2016: $1,448,000) that are past due but not impaired.

(c) 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. Management and the Board monitors liquidity levels on an ongoing basis.

Maturities of financial liabilities

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.

21 Financial risk management (continued)

(c) Liquidity risk (continued)

Maturities of financial liabilities (continued)

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 5 years	Total contractual cash flows	Carrying amount
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
At 30 June 2017					
Trade and other payables	**49,052**	**-**	**-**	**49,052**	**49,052**
Bank loans*	**30,234**	**33,283**	**149,821**	**213,338**	**197,041**
	79,286	**33,283**	**149,821**	**262,390**	**246,093**
At 30 June 2016					
Trade and other payables	107,132	-	-	107,132	107,132
Bank loans*	6,070	46,735	243,056	295,861	265,826
	113,202	46,735	243,056	402,993	372,958

* Includes estimated interest payments.

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 net amount payable is not fixed, the amount disclosed has been determined by reference to the projected forward curves existing at the reporting date.

	Less than 6 months	6 - 12 months	Between 1 and 5 years	Total contractual cash flows	Carrying amount
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
At 30 June 2017					
Commodity hedging contracts	**399**	**566**	**251**	**1,216**	**1,216**
	399	**566**	**251**	**1,216**	**1,216**
At 30 June 2016					
Commodity hedging contracts	2,487	-	-	2,487	2,487
	2,487	-	-	2,487	2,487

(d) Recognised fair value measurements

(i) ***Fair value hierarchy***

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 13 *Fair Value Measurement* 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).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2017 and 30 June 2016 on a recurring basis.

21 Financial risk management (continued)

(d) Recognised fair value measurements (continued)

(i) Fair value hierarchy (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2017				
Financial assets				
Listed investments	**15,348**	**-**	**-**	**15,348**
Derivative instruments				
Foreign currency hedging contracts	**-**	**657**	**-**	**657**
	15,348	**657**	**-**	**16,005**
Financial liabilities				
Derivative instruments				
Commodity hedging contracts	**-**	**910**	**-**	**910**
Diesel hedging contracts	**-**	**306**	**-**	**306**
	-	**1,216**	**-**	**1,216**

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2016				
Financial assets				
Listed investments	5,017	-	-	5,017
Derivative instruments				
Diesel hedging contracts	-	1,583	-	1,583
	5,017	1,583	-	6,600
Financial liabilities				
Derivative instruments				
Commodity hedging contracts	-	2,487	-	2,487
	-	2,487	-	2,487

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2017 and did not transfer any fair value amounts between the fair value hierarchy levels during the year ended 30 June 2017.

(ii) Valuation techniques used to determine level 1 fair values

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.

(iii) Valuation techniques used to determine level 2 and level 3 fair values

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.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of commodity and forward foreign exchange contracts is determined using forward commodity and exchange rates at the reporting date.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

21 Financial risk management (continued)

(d) Recognised fair value measurements (continued)

(iii) Valuation techniques used to determine level 2 and level 3 fair values (continued)

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities which are included in level 3.

(iv) Fair value of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. These instruments had the following fair value at the reporting date.

	Carrying amount $'000	Fair value $'000
At 30 June 2017		
Current assets		
Cash and cash equivalents	**35,763**	**35,763**
	35,763	**35,763**
Current liabilities		
Bank loans	**56,226**	**57,142**
	56,226	**57,142**
Non-current liabilities		
Bank loans	**140,815**	**142,858**
	140,815	**142,858**

	Carrying amount $'000	Fair value $'000
At 30 June 2016		
Current assets		
Cash and cash equivalents	46,264	46,264
	46,264	46,264
Current liabilities		
Bank loans	43,154	43,750
	43,154	43,750
Non-current liabilities		
Bank loans	222,672	227,250
	222,672	227,250

Group structure

This section of the notes provides information which will help users understand how the group structure affects the financial position and performance of the Group.

22 Acquisition of Windward Resources

(a) Summary of acquisition

On 22 December 2016, Independence Group NL acquired 100% of the issued share capital of Windward Resources Ltd (Windward) by way of an off-market takeover. Windward was a listed public Australian company holding a number of tenements within the Fraser Range region.

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

	Fair value $'000
Cash	**4,507**
Trade and other receivables	**141**
Plant and equipment	**164**
Exploration and evaluation expenditure	**17,823**
Deferred tax assets	**300**
Trade and other payables	**(848)**
Net identifiable assets acquired	**22,087**

The Company gained control of Windward on 27 October 2016, with a shareholding of 53.94%. Following the completion of the off-market and compulsory acquisition of the remaining shares, the Company held 100% of Windward as at 22 December 2016.

Total cash outflows relating to the acquisition of Windward for the period, including acquisition-related costs, were $22,081,000. Cash received on the acquisition of Windward was $4,507,000, resulting in a net cash outflow in investing activities in the statement of cash flows of $17,574,000.

(b) Recognition and measurement

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

23 Assets held for sale

On 14 June 2017, the Company announced its intention to divest of the Stockman Project, which is owned by the Group's wholly owned subsidiary Independence Stockman Project Pty Ltd. The associated assets were consequently presented as held for sale in the 2017 financial statements.

(a) Assets and liabilities classified as held for sale

The following assets were reclassified as held for sale as at 30 June 2017:

	2017 $'000	2016 $'000
Assets classified as held for sale		
Exploration and evaluation expenditure	**43,784**	-
Property, plant and equipment	**1,013**	-
Total assets	**44,797**	-

The carrying amounts of the assets included as held for sale reflect the recoverable amount as determined with reference to an executed sale agreement between Independence Stockman Project Pty Ltd and CopperChem Limited, a wholly owned subsidiary of Washington H Soul Pattinson and Company Limited.

23 Assets held for sale (continued)

(a) Assets and liabilities classified as held for sale (continued)

Terms of the sale agreement include a deferred cash consideration component of $31,600,000, and a net smelter return royalty for which the Company has determined a value.

(b) Recognition and measurement

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

24 Subsidiaries

(a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of Independence Group NL and the subsidiaries listed in the following table:

Name of entity	**Note**	**Country of incorporation**	**Equity holding**	
			2017 %	2016 %
Independence Long Pty Ltd	(a)	Australia	**100**	100
Independence Newsearch Pty Ltd		Australia	**100**	100
Independence Karlawinda Pty Ltd		Australia	**100**	100
Independence Jaguar Pty Ltd	(a)	Australia	**100**	100
Independence Stockman Parent Pty Ltd		Australia	**100**	100
Independence Stockman Project Pty Ltd		Australia	**100**	100
Independence Jaguar Project Parent Pty Ltd		Australia	**100**	100
Independence Jaguar Project Pty Ltd		Australia	**100**	100
Independence Europe Pty Ltd		Australia	**100**	100
Independence Nova Holdings Pty Ltd	(a)	Australia	**100**	100
Independence Nova Pty Ltd	(a)	Australia	**100**	100
Independence Windward Pty Ltd	(b)	Australia	**100**	-
Independence Group Europe AB		Sweden	**100**	100

(a) These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission. For further information refer to note 30.

(b) On 14 July 2017, Windward Resources Pty Ltd changed its name to Independence Windward Pty Ltd.

24 Subsidiaries (continued)

(b) Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 32(c)(i)).

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.

Unrecognised items

This section of the notes provides information about items that are not recognised in the financial statements as they do not yet satisfy the recognition criteria but could potentially have an impact on the Group's financial position and performance.

25 Commitments and contingencies

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2017 $'000	2016 $'000
Mine properties in development	**1,667**	163,938
	1,667	163,938

(b) Commitments

*(i) **Leasing commitments***

	2017 $'000	2016 $'000
Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**1,599**	1,549
Later than one year but not later than five years	**4,859**	6,458
Total minimum lease payments	**6,458**	8,007

25 Commitments and contingencies (continued)

(c) Gold delivery commitments

	Gold for physical delivery oz	Average contracted sale price A$/oz	Value of committed sales $'000
Within one year	**60,000**	**1,796**	**107,787**
Later than one but not later than five years	**47,988**	**1,859**	**89,200**
Total	**107,988**	**1,824**	**196,987**

The physical gold delivery contracts are settled by the physical delivery of gold as per the contract terms. The contracts are accounted for as sales contracts with revenue recognised once gold has been delivered to the counterparties. The physical gold delivery contracts are considered to sell a non-financial item and therefore do not fall within the scope of AASB 139 *Financial Instruments: Recognition and Measurement*. Hence, no derivatives have been recognised in respect of these contracts.

(d) Contingencies

The Group had guarantees outstanding at 30 June 2017 totalling $1,281,000 (2016: $1,315,000) which have been granted in favour of various third parties. The guarantees primarily relate to environmental and rehabilitation bonds at the various mine sites.

26 Events occurring after the reporting period

On 30 August 2017, the Company announced a fully franked final dividend of 1 cent per share to be paid on 22 September 2017.

On 26 July 2017, the Company reported an interim Mineral Resource estimate for the Nova Operation based on improved geological understanding and results of close spaced diamond core ‘grade control’ drilling on the Nova deposit. The revised Mineral Resource estimate reported ~15% lower tonnage with marginally higher nickel and copper grades.

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 financial report.

Other information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but are not considered critical in understanding the financial performance or position of the Group.

27 Share-based payments

The Group provides benefits to employees (including executive directors) of the Group through share-based incentives. Information relating to these schemes is set out below.

(a) Employee Incentive Plan

The Independence Group NL Employee Incentive Plan (EIP) was approved by shareholders at the Annual General Meeting of the Company in November 2016. The EIP incorporates both broad based equity participation for eligible employees as well as key executive incentive schemes designed to provide long-term incentives to senior management (including executive directors) to deliver long-term shareholder returns.

The EIP replaced the previous Independence Group NL Employee Performance Rights Plan (PRP) which was approved at the Annual General Meeting of the Company in November 2011 and re-approved at the Annual General Meeting in November 2014. Any existing unvested performance rights issued under the PRP will continue in accordance with their terms under the PRP.

27 Share-based payments (continued)

(a) Employee Incentive Plan (continued)

The EIP comprised the following schemes during the current financial year:

- Long-term incentive (LTI) - performance rights; and
- Employee share ownership award.

LTI - Performance Rights

Under the LTI scheme, participants are granted share rights which will only vest if certain performance conditions are met and the employees are still employed by the Group at the end of the vesting period. Participation in the LTI scheme is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Equity settled awards outstanding

Set out below are summaries of share rights granted under the LTI scheme:

	2017		2016	
	Number of share rights	**Weighted average fair value**	**Number of share rights**	**Weighted average fair value**
Outstanding at the beginning of the year	**1,352,123**	**1.91**	2,313,757	2.85
Rights issued during the year	**589,967**	**2.26**	643,911	1.32
Rights vested during the year	**(220,353)**	**2.14**	(1,323,613)	3.19
Rights lapsed during the year	**(73,452)**	**2.14**	(258,903)	2.23
Rights cancelled during the year	**-**	**-**	(23,029)	2.41
Outstanding at the end of the year	**1,648,285**	**2.00**	1,352,123	1.91

Fair value of share rights granted

The fair value of the share rights granted during the year ended 30 June 2017 are determined using a trinomial tree which has been adopted by the Boyle and Law (1994) node alignment algorithm to improve accuracy, with the following inputs:

Fair value inputs	CEO	Senior management	Other employees
Grant date	18 November 2016	24 November 2016	22 May 2017
Vesting date	1 July 2019	1 July 2019	1 July 2019
Share price at grant date	3.08	3.14	3.28
Fair value estimate at grant date	2.21	2.26	2.30
Expected share price volatility (%)	54	54	58
Expected dividend yield (%)	0.65	0.64	0.61
Expected risk-free rate (%)	1.86	1.92	1.75

The share-based payments expense included in profit or loss for the year totalled $1,147,168 (2016: $818,968).

Vesting of share rights

Vesting of the performance rights granted to executive directors and executives after 1 July 2014 is based on a total shareholder return (TSR) scorecard. The TSR scorecard for the three year measurement period will be determined based on a percentile ranking of the Company's TSR results relative to the TSR of each of the companies in the peer group over the same three year measurement period.

The peer group is to comprise the constituents of the S&P ASX 300 Metals and Mining Index.

The vesting schedule of the performance rights subject to relative TSR testing is as follows:

Relative TSR performance	Level of vesting
Less than 50th percentile	Zero
Between 50th and 75th percentile	Pro-rata straight line percentage between 50% and 100%
75th percentile or better	100%

27 Share-based payments (continued)

Vesting of share rights (continued)

The Company's TSR performance for share rights issued during the current financial year will be assessed against the following 28 peer group companies:

Peer companies	
* Alacer Gold Corp.	* Orocobre Limited
* Alumina Limited	* Oz Minerals Limited
* Beadell Resources Ltd	* Pilbara Minerals Limited
* BHP Billiton Limited	* Perseus Mining Limited
* BlueScope Steel Limited	* Rio Tinto Limited
* Evolution Mining Limited	* Regis Resources Limited
* Fortescue Metals Group Ltd	* Resolute Mining Limited
* Gold Road Resources Limited	* South32 Limited
* Iluka Resources Limited	* Saracen Mineral Holdings Limited
* Lynas Corporation Limited	* St Barbara Limited
* Metals X Limited	* Sandfire Resources NL
* Newcrest Mining Limited	* Sims Metal Management Limited
* Northern Star Resources Ltd	* Syrah Resources Limited
* OceanaGold Corporation	* Western Areas Limited

Employee Share Ownership Award

In accordance with the terms of the EIP, the Employee Share Ownership Award (ESOA) was also introduced during the current financial year. The ESOA provides for shares to be issued by the Company to employees for no cash consideration. All employees (excluding executive directors and senior management entitled to participate in the LTI scheme and non-executive directors) who have been continuously employed by the Group for a period of at least three months prior to 1 July are eligible to participate in the ESOA.

Under the ESOA, eligible employees may be granted up to $1,000 worth of fully paid ordinary shares in Independence Group NL annually for no cash consideration. The number of shares issued to participants in the scheme is the offer amount divided by the weighted average price at which the Company's shares are traded on the Australian Securities Exchange for the 20 days up to and including the date of grant.

	2017 Number	2016 Number
Number of shares issued under the plan to participating employees on 7 March 2017	**48,443**	-

Each participant was issued with shares worth $1,000 based on the weighted average market price of $3.97 (2016: $nil).

Share rights granted prior to 30 June 2014

Vesting of the performance rights granted to eligible employees of the Company prior to 30 June 2014, and which vested in July 2016, were subject to a combination of the Company’s shareholder return (with a 75 per cent weighting) and return on equity (with a 25 per cent weighting), measured over a three year measurement period. Further information is included in the Remuneration Report.

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

Share trading policy

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

Non-executive Directors

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

27 Share-based payments (continued)

(b) Recognition and measurement

Equity-settled transactions

The fair values of equity settled awards are recognised in share-based payments expense, together with a corresponding increase in share-based payments reserve within 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 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 with the assistance of a valuation software using a trinomial tree which has been adopted by the Boyle and Law (1994) node alignment algorithm to improve accuracy. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Independence Group NL (market conditions).

The 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.

Upon the settlement of equity settled share awards, the balance of the share-based payments reserve relating to those rights and awards is transferred to share capital. The dilutive effect, if any, of outstanding rights is reflected as additional share dilution in the computation of diluted earnings per share.

28 Related party transactions

(a) Transactions with other related parties

During the financial year, a wholly-owned subsidiary paid dividends of $33,000,000 (2016: $22,000,000) to Independence Group NL. This amount has been eliminated on consolidation for the purposes of calculating the profit of the Group for the financial year.

Loans were made between Independence Group NL and certain entities in the wholly-owned group. The loans receivable from controlled entities are interest-free and repayable on demand.

(b) Key management personnel

Compensation of key management personnel

	2017 **$**	2016 $
Short-term employee benefits	**4,479,285**	4,162,227
Post-employment benefits	**302,954**	302,964
Long-term benefits	**70,196**	45,191
Share-based payments	**709,746**	474,978
	5,562,181	4,985,360

Detailed remuneration disclosures are provided in the remuneration report on pages 15 to 30.

29 Parent entity financial information

(a) Summary financial information

The following information relates to the parent entity, Independence Group NL, at 30 June.

	2017 $'000	2016 $'000
Balance sheet		
Current assets	**82,428**	54,755
Non-current assets	**2,005,009**	1,846,030
Total assets	**2,087,437**	1,900,785
Current liabilities	**75,790**	124,219
Non-current liabilities	**204,385**	275,895
Total liabilities	**280,175**	400,114
Net assets	**1,807,262**	1,500,671
Equity		
Issued capital	**1,878,469**	1,601,458
Reserves		
Acquisition reserve	**3,142**	3,142
Hedging reserve	**(66)**	(1,322)
Share-based payments reserve	**10,698**	10,371
Accumulated losses	**(84,981)**	(112,978)
Total equity	**1,807,262**	1,500,671

	2017 $'000	2016 $'000
Profit (loss) for the year	**45,598**	(14,229)
Other comprehensive income for the period	**1,256**	(286)
Total comprehensive income (loss) for the year	**46,854**	(14,515)

(b) Guarantees entered into by the parent entity

The parent entity has no unsecured guarantees in respect of finance leases of subsidiaries (2016: $nil).

There are cross guarantees given by Independence Group NL, Independence Long Pty Ltd, Independence Jaguar Pty Ltd, Independence Nova Holdings Pty Ltd and Independence Nova Pty Ltd as described in note 30. No deficiencies of assets exist in any of these companies.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any outstanding contractual commitments for the acquisition of property, plant and equipment at 30 June 2017 or 30 June 2016.

(e) Recognition and measurement

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

29 Parent entity financial information (continued)

(e) Recognition and measurement (continued)

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries entities are accounted for at cost in the financial statements of Independence Group NL.

(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 stand-alone 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 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.

30 Deed of cross guarantee

Independence Group NL, Independence Long Pty Ltd, Independence Jaguar Pty Ltd, Independence Nova Holdings Pty Ltd and Independence Nova Pty Ltd 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 ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of profit or loss and other comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the Legislative Instrument, 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 profit or loss and other comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2017 of the closed group consisting of Independence Group NL, Independence Long Pty Ltd, Independence Jaguar Pty Ltd, Independence Nova Holdings Pty Ltd and Independence Nova Pty Ltd.

30 Deed of cross guarantee (continued)

(a) Consolidated statement of profit or loss and other comprehensive income (continued)

Consolidated statement of profit or loss and other comprehensive income	**2017 $'000**	2016 $'000
Revenue from continuing operations	**421,861**	413,159
Other income	**-**	2,342
Mining, development and processing costs	**(146,135)**	(139,931)
Employee benefits expense	**(64,740)**	(66,975)
Share-based payments expense	**(1,147)**	(819)
Fair value movement of financial investments	**4,362**	2,396
Depreciation and amortisation expense	**(85,740)**	(105,872)
Rehabilitation and restoration borrowing costs	**(979)**	(474)
Exploration costs expensed	**(17,155)**	(17,875)
Royalty expense	**(14,391)**	(12,557)
Ore tolling expense	**(9,606)**	(10,092)
Shipping and wharfage expense	**(12,092)**	(16,143)
Borrowing and finance costs	**(26)**	(76)
Impairment of exploration and evaluation expenditure	**(492)**	(2,985)
Impairment of loans to and investments in subsidiaries	**793**	(1,960)
Acquisition and other integration costs	**(3,910)**	(65,137)
Other expenses	**(11,037)**	(11,121)
Profit (loss) before income tax	**59,566**	(34,120)
Income tax expense	**(18,802)**	(6,999)
Profit (loss) for the period	**40,764**	(41,119)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Effective portion of changes in fair value of cash flow hedges, net of tax	**241**	404
Other comprehensive income for the period, net of tax	**241**	404
Total comprehensive (loss) income for the period	**41,005**	(40,715)

Summary of movements in consolidated retained earnings (accumulated losses)	**2017 $'000**	2016 $'000
(Accumulated losses) retained earnings at the beginning of the financial year	**(17,317)**	35,552
Adjustment on adoption of AASB 9, net of tax	**-**	1,036
Restated (accumulated losses) retained earnings at the beginning of the financial year	**(17,317)**	36,588
Profit (loss) for the year	**40,764**	(41,119)
Dividends paid	**(17,601)**	(12,786)
Retained earnings (accumulated losses) at the end of the financial year	**5,846**	(17,317)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2017 of the closed group consisting of Independence Group NL, Independence Long Pty Ltd, Independence Jaguar Pty Ltd, Independence Nova Holdings Pty Ltd and Independence Nova Pty Ltd.

30 Deed of cross guarantee (continued)

(b) Consolidated balance sheet (continued)

	2017 $'000	2016 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**35,215**	43,832
Trade and other receivables	**56,354**	27,086
Inventories	**22,900**	17,540
Financial assets at fair value through profit or loss	**15,339**	4,989
Derivative financial instruments	**657**	784
Total current assets	**130,465**	94,231
Non-current assets		
Receivables	**4**	4
Property, plant and equipment	**22,726**	22,242
Mine properties	**1,409,430**	1,270,512
Exploration and evaluation expenditure	**39,850**	39,350
Deferred tax assets	**247,576**	215,406
Investments in controlled entities	**161,581**	139,494
Investments in joint ventures	**311,457**	306,151
Derivative financial instruments	**-**	799
Total non-current assets	**2,192,624**	1,993,958
TOTAL ASSETS	**2,323,089**	2,088,189
LIABILITIES		
Current liabilities		
Trade and other payables	**66,495**	120,150
Borrowings	**56,226**	43,154
Derivative financial instruments	**965**	2,487
Provisions	**15,259**	2,000
Total current liabilities	**138,945**	167,791
Non-current liabilities		
Borrowings	**140,815**	222,672
Derivative financial instruments	**251**	-
Provisions	**52,916**	48,567
Deferred tax liabilities	**92,398**	52,137
Total non-current liabilities	**286,380**	323,376
TOTAL LIABILITIES	**425,325**	491,167
NET ASSETS	**1,897,764**	1,597,022
EQUITY		
Contributed equity	**1,878,469**	1,601,458
Other reserves	**13,449**	12,881
Retained earnings (accumulated losses)	**5,846**	(17,317)
TOTAL EQUITY	**1,897,764**	1,597,022

31 Remuneration of auditors

The auditor of Independence Group NL is BDO Audit (WA) Pty Ltd.

	2017 **$**	2016 $
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:		
Audit and review of financial statements	**165,500**	232,500
Other services in relation to the entity and any other entity in the consolidated Group	**37,338**	38,158
	202,838	270,658

32 Summary of significant accounting policies

(a) New and amended standards and interpretations adopted by the Group

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The Group has not elected to early adopt any new standards or amendments during the current financial year.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	**Nature of change**	**Impact**	**Mandatory application date/ Date of adoption by group**
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.	This standard is not expected to have a material impact on the Group's financial statements and disclosures.	Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption Expected date of adoption by the group: 1 January 2018.

32 Summary of significant accounting policies (continued)

(b) New standards and interpretations not yet adopted (continued)

AASB 16 (issued February 2016) *Leases*	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.	To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis. The Group is still assessing the potential impact of the adoption of this standard.	Mandatory for financial years commencing on or after 1 January 2019, but available for early adoption Expected date of adoption by the group: 1 January 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) Other significant accounting policies

(i) 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 value of the assets transferred, 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.

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. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

32 Summary of significant accounting policies (continued)

(c) Other significant accounting policies (continued)

(ii) ***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 asset's 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 groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 33 to 90 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 2017 and of its performance for the 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 30 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 30.

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 Directors.

Peter Bradford
Managing Director

Perth, Western Australia
Dated this 29th day of August 2017

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Independence Group NL

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Independence Group NL (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying Value of Nova Mine Properties

Key audit matter	How the matter was addressed in our audit
At 30 June 2017 the carrying value of Mine Properties was $1.61bn (2016: $1.47bn), as disclosed in Note 14. Included in the mine properties is the carrying value of the Nova mine asset of $1.36bn. During the year the Group identified indicators of possible impairment relating to the Nova mine asset due to volatility in the nickel price. As a result the Group undertook an impairment assessment on the Nova mine asset and the Group concluded that the mine asset was not impaired. When an impairment assessment is performed, there are significant judgements made in relation to assumptions, such as: • Long term nickel, copper and cobalt pricing; • Reserves estimates; • Production and processing volumes; • Operating costs: • Foreign exchange rates and inflation rates; and • Discount rate. The assessment of carrying value of Nova mine asset requires management to make significant accounting judgements and estimates in producing the impairment model used for determining whether the Nova mine asset requires impairment.	We evaluated management's impairment model for the Nova mine asset by critically challenging the key estimates and assumptions used by management in arriving at their assessment. Our work included but was not limited to the following procedures: • Benchmarking and analysing management's commodity price assumptions against external market information and trends, to determine whether a significant change would impact the value of the asset; • Challenging the appropriateness of management's ore reserves estimate by assessing the significant assumptions, methods and source data used by management in estimating ore reserves, in conjunction with our independent auditor's experts; • Evaluating forecasted production and processing volumes against the Board approved mine plan and the forecast operating costs in conjunction with our independent auditor's experts; • Challenging the appropriateness of management's discount rate used in the impairment model in conjunction with our internal valuation experts; and • Challenging management's sensitivity assessment by performing our own sensitivity analysis in respect of the key assumptions to indicate if there would be a significant change to the value of the asset. We assessed the adequacy of related disclosures in Note 14 to the financial statements.

Recoverability of Deferred Tax Assets

Key audit matter	How the matter was addressed in our audit
At 30 June 2017, the Group has \$251m (2016: \$219m) of deferred tax assets recognised. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. This was a key audit matter due to the quantum of the accumulated losses as well as the judgments behind preparing forecasts to demonstrate the future utilisation of these losses in accordance with the requirements of Australian Accounting Standards. Significant judgement is required to assess whether there will be sufficient future taxable profits to utilise the recognised deferred tax assets, and given the high value of the balance, such judgements can have a significant impact on the financial statements.	We assessed the Group's ability to utilise the deferred tax assets by obtaining the latest Board approved cash flow budget and assessed the forecasted taxable profits over the relevant utilisation period which includes the life of mines. Our work included but was not limited to the following procedures: • Evaluating whether the forecasts have been appropriately adjusted for the differences between accounting profits to taxable profits; • Comparing the latest Board approved budget to historical performance to assess the consistency and accuracy of the Group's budgeting processes; • Assessing whether the latest Board approved cash flow budget is consistent with life of mine; • Challenging management's key assumptions in the cashflow budget and forecasts; and • Assessing whether deferred tax assets had been appropriately recognised in the financial report as at 30 June 2017 based on the extent to which they can be recovered by future taxable profits. We Assessed the adequacy of related disclosures in Note 5 to the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the unaudited information contained in the Directors' Report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report to Shareholders, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report to Shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 30 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Independence Group NL, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth, 29 August 2017