

# INDEPENDENCE GROUP NL AND CONTROLLED ENTITIES

## ABN 46 092 786 304

### PRELIMINARY FINAL REPORT INFORMATION – 1 JULY 2012 TO 30 JUNE 2013 LODGED WITH THE ASX UNDER LISTING RULE 4.3A

#### Key Information – Results for Announcement to the Market

|   | \$'000  | % Increase/(Decrease)<br>over Previous<br>Corresponding Period |
|---|---------|--|
| Revenue from ordinary activities                                  | 225,871 | 4.3%   |
| Profit from ordinary activities after tax attributable to members | 18,288  | Increased  |
| Net profit attributable to members                                | 18,288  | Increased  |

The previous corresponding period is the year ended 30 June 2012.

|   | 2013   | 2012     |
|---|--------|----------|
| Basic earnings (loss) per share (cents)   | 7.85   | (130.47) |
| Diluted earnings (loss) per share (cents) | 7.79   | (130.47) |
| Net tangible assets per share (cents)     | 278.81 | 275.96   |

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

Net loss attributable to members in the previous corresponding period was \$285,292,000. The current period returned a profit of \$18,288,000. A calculation of percentage increase of profitability during the current period is not meaningful. Revenue from ordinary activities increased by 4.3% from \$216,557,000 in 2012 to \$225,871,000 during the current period. Further explanations of the results for the year are outlined below and elaborated upon in the Operating and Financial Review contained in the Financial Report within this report.

- Long Nickel Operation segment revenue increased by 6% from \$120,873,000 in FY 2012 to \$127,661,000 during the FY 2013. Net operating profit before income tax fell 10% from \$44,694,000 last year to \$40,140,000 in the current year. The fall in profitability is primarily due to a decline in nickel prices during the year. The average realised A\$ nickel price achieved during the year was 13% lower than the prior year at \$15,975 per tonne. Profitability fell notwithstanding a 12% increase in payable nickel metal produced 6,754 tonnes.
- Jaguar/Bentley Copper and Zinc Operation revenue increased slightly to \$91,812,000 from \$87,724,000 in the previous year due to a changed sales product mix during the year. In 2012, ore was sourced primarily from the Jaguar mine which was copper rich. The Bentley mine is a relatively higher zinc and silver mine, and lower in copper. Net operating profit (loss) before income tax was \$6,986,000 during FY 2013, however a mine impairment loss before tax of \$255,929,000 in FY 2012 weighed heavily on the net operating loss of \$283,728,000 during FY 2012.
- Furthermore, the Company entered into limited gold hedging using zero cost collar instruments. At balance date, the collars were marked to market at \$3,664,000 which contributed to the overall revenues and result for the Group.

# **INDEPENDENCE GROUP NL AND CONTROLLED ENTITIES**

## **ABN 46 092 786 304**

The Company paid a fully franked interim dividend of 1 cent per share in March 2013. The Company has announced a fully franked final dividend of 1 cent per share which will be paid on 27 September 2013. The record date for determining dividend entitlements is 12 September 2013.

The Company did not gain or lose control over any entity 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**

**Financial Report  
for the Year Ended  
30 June 2013**

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## DIRECTORS' REPORT

Your Directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Independence Group NL (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2013.

### Directors

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

Christopher Bonwick (Managing Director)  
 Peter Bilbe (Non-executive Chairman)  
 Geoffrey Clifford (Non-executive Director)  
 Rod Marston (Non-executive Director)  
 Kelly Ross (Non-executive Director)

John Christie was a Non-executive Director from the beginning of the financial year until his resignation on 21 November 2012. Geoffrey Clifford was appointed a Non-executive Director of the Company on 10 December 2012.

### Principal activities

The principal activities of the Group during the financial year were ongoing mineral exploration, nickel, copper and zinc mining and the development of the Tropicana Gold Project.

### Dividends – Independence Group NL

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

|  | <b>2013</b>  | <b>2012</b>   |
|--|--------------|---------------|
|  | <b>\$000</b> | <b>\$000</b>  |
| Final ordinary dividend for the year ended 30 June 2012 of 1 cent (2011: 3 cents) per fully paid share paid on 28 September 2012 | 2,329        | 6,087         |
| Interim ordinary dividend for the year ended 30 June 2013 of 1 cent (2012: 2 cents) per fully paid share paid on 28 March 2013   | 2,329        | 4,658         |
|  | <u>4,658</u> | <u>10,745</u> |

In addition to the above dividends, since the end of the financial year the Directors have announced the payment of a final ordinary dividend of \$2,333,000 (1 cent per fully paid share) to be paid on 27 September 2013.

### Operating and financial review

Independence Group NL is a company listed on the Australian Stock Exchange (ASX:IGO) with operations in Western Australia comprising the Long nickel mine in Kambalda, the Jaguar copper and zinc mine and processing operations north of Leonora and the Tropicana Gold Project located 330km east northeast of Kalgoorlie. The Company is also an active explorer for base and precious metals within and outside of Australia.

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, development and acquisition of low cost and high grade projects. Since incorporation in 2002, the Company has paid dividends to shareholders of \$89 million and currently has 233,321,861 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 \$27.2 million (2012: \$192.7 million). The reduction in cash of \$165.5 million includes payments to the Company's joint venture partner and manager of the Tropicana Gold Project, AngloGold Ashanti Australia Limited. During the financial year the Company paid Tropicana joint venture contributions totalling \$165.1 million (2012: \$78.8 million). These contributions ensured the ongoing construction spend of the mine, as well as exploration and feasibility expenditure. The Company estimates that at year end, a cash outlay of approximately \$35.0 million remains outstanding to complete the capital construction of the Tropicana gold mine. As the Tropicana mine moves into the production phase during the second half of 2013, ongoing joint venture contributions will be required to be paid by both venturers to complete the construction spend, to fund ongoing regional exploration and feasibility study expenditures, as well as pay for operating costs of the mine. Gold sales receipts will be credited to each individual venturer's metal account held with the gold refiner.

### Operating and financial review (continued)

In March 2013, the Company signed a new debt facility agreement with National Australia Bank for facilities totalling \$170.0 million. The facilities comprise a \$130.0 million corporate debt facility, a \$20.0 million asset finance facility and a \$20.0 million contingent instrument facility. These facilities allow the Group to access in excess of \$145.0 million in cash resources by way of the corporate debt facility, an additional \$5.0 million asset financing facility and release of cash backed bonds. The purpose of the facilities is to provide the Group with financial flexibility as it moves towards the completion of the development and ramp up phase of the Tropicana Gold Project. At the end of the year, the Company had drawn \$10.0 million from the corporate debt facility. An amount of \$7.4 million in principal mobile equipment financing has been drawn under the new asset finance facility, with \$12.6 million of this facility remaining outstanding at year end. \$15.2 million of the contingent instruments facility has been utilised, though the facility is not a cash draw facility. The purpose of this facility is to provide financial backing in relation to non-performance of third party guarantee requirements.

During discussions of the operating results of its business, the Group's Board and management often refer to a measure known as Underlying EBITDA. This measure is important to the Group as it represents a useful proxy to measuring an operation's cash generating capabilities. Underlying EBITDA is calculated as profit after tax adjusted for income tax expense, finance costs, interest income, asset impairments, depreciation and amortisation. Underlying EBITDA for the year ended 30 June 2012 was \$33.6 million which increased by \$18.1 million or 54% to \$51.7 million for the year ended 30 June 2013. 80% of this increase can be attributed to the Group's Jaguar Operations. Jaguar production costs fell \$10.2 million during the year while revenues increased by \$4.4 million. The lower costs include cost reduction initiatives necessitated following the recording of substantial non-cash after tax asset impairment charges of the Jaguar Operation and associated goodwill during the 2012 financial year. Further details on the Jaguar Operation are outlined below in the Operations section of this report.

Net profit after tax for the year of \$18.3 million compares favourably with the loss after tax of \$285.2 million recorded in the 2012 financial year. The 2012 financial year was heavily impacted by after tax impairment charges of \$288.0 million. The impairments were in relation to the carrying values of various exploration tenements, primarily historical accounting valuations ascribed to tenements that were purchased when the Company acquired all of the shares in Jabiru Metals Limited in the 2011 financial year. The 2012 financial year impairment charges also included an amount related to the impairment of the historical valuation of the Jaguar Operation and associated goodwill.

### Operations

#### Long Nickel Operation

The Long Nickel Operation was acquired from Western Mining Corporation in 2002. The mine has entered into a long term ore tolling agreement with BHP Billiton whereby the Group is paid for the nickel metal contained in the ore mined, less applicable ore toll charges. Revenue from nickel sales is priced on a quotational period of 3 months after the month of production, ie 70% of the sales receipt is provisionally paid based on the average London Metals Exchange (LME) price in the month of delivery; a balancing adjustment is paid in the fourth month after delivery based on the average LME price of the third month after delivery. The mine produced 11,180 tonnes of contained nickel during the year at payable cash costs including royalties (net of copper credits) of A\$4.34 per pound (2012: A\$4.56 per pound).

The Long Nickel Operation constitutes an operating segment as disclosed in the Financial Report. Segment revenue increased to \$127.7 million in 2013, an increase of 6% from \$120.1 million in 2012. Net operating profit before income tax fell 10% from \$44.7 million in 2012 to \$40.1 million in the current year, primarily due to a decline in nickel prices during the year. The average realised A\$ nickel price achieved during the year was 13% lower than the prior year at \$15,975 per tonne. Profitability fell notwithstanding a 12% increase in payable nickel metal produced of 6,754 tonnes.

Based on current ore reserves, the mine currently has a life of approximately four years.

Table 1 highlights the key operational statistics during the current and prior year.

Table 1

| Long Nickel Mine                          |                                | 2013           | 2012           |
|---|--------------------------------|----------------|----------------|
| <b>Ore mined</b>                          | <i>Tonnes</i>                  | <b>291,196</b> | <b>282,177</b> |
| Nickel Grade                              | <i>(Head %)</i>                | 3.84           | 3.54           |
| Copper Grade                              | <i>(Head %)</i>                | 0.28           | 0.27           |
| <b>Tonnes milled</b>                      | <i>Tonnes</i>                  | <b>291,196</b> | <b>282,177</b> |
| Nickel delivered                          | <i>Tonnes</i>                  | 11,180         | 9,995          |
| Copper delivered                          | <i>Tonnes</i>                  | 821            | 759            |
| <b>Metal Payable (IGO share)</b>          |                                |                |                |
| - Nickel                                  | <i>Tonnes</i>                  | 6,754          | 6,013          |
| - Copper                                  | <i>Tonnes</i>                  | 332            | 307            |
| <b>C1 Ni cash costs &amp; Royalties *</b> | <i>A\$ payable metal pound</i> | <b>4.34</b>    | <b>4.56</b>    |

\*Cash costs include credits for copper

**Operating and financial review (continued)**

*Jaguar Operation*

The Jaguar Operation was acquired by the Company in 2011. At the time of acquisition, the Jaguar Operation comprised ore crushing and milling facilities, the Jaguar mine and a further mine in development, the Bentley mine, as well as numerous near mine and greenfields exploration targets. Mining in the Jaguar mine was suspended as planned during the December 2012 quarter due to depletion of reserves.

The Bentley mine performed well during the year. Ore mined from the Bentley mine is crushed and milled at the plant to produce separate zinc and copper concentrates. These concentrates are trucked to the Geraldton port for shipping to customers primarily in Asia. Zinc and copper concentrates variously contain silver and gold by-products which contribute significantly to the Group's cash flows and revenue. Similar to nickel sales, copper and zinc concentrate sales are paid on a quotational period that varies between 1 and 3 months with generally 90% of the sales receipt payable by the customer shortly after shipment. The 1 month or 3 month average LME copper and zinc price ultimately determines the final price paid by the customer.

Based on current ore reserves, the Bentley mine is currently anticipated to have a life of approximately 4 years.

During the year, 446,584 tonnes of ore was mined from the Jaguar and Bentley mines.

Table 2

| <b>Jaguar Operations</b>               |                                       | <b>2013</b>    | <b>2012</b>    |
|--|---------------------------------------|----------------|----------------|
| <b>Ore mined</b>                       | <i>Tonnes</i>                         | <b>446,584</b> | <b>411,476</b> |
| Copper grade                           | <i>%</i>                              | 1.5            | 2.3            |
| Zinc grade                             | <i>%</i>                              | 9.8            | 6.0            |
| Silver grade                           | <i>g/t</i>                            | 139            | 89             |
| <b>Ore Milled</b>                      | <i>Tonnes</i>                         | <b>392,125</b> | <b>366,891</b> |
| <b>Concentrate produced</b>            |                                       |                |                |
| - Copper                               | <i>Tonnes</i>                         | 20,010         | 31,827         |
| - Zinc                                 | <i>Tonnes</i>                         | 71,138         | 35,264         |
| <b>Metal payable (IGO share)</b>       |                                       |                |                |
| - Copper                               | <i>Tonnes</i>                         | 4,792          | 6,940          |
| - Zinc                                 | <i>Tonnes</i>                         | 28,118         | 13,748         |
| - Silver                               | <i>Ounces</i>                         | 982,313        | 520,080        |
| - Gold                                 | <i>Ounces</i>                         | 2,938          | -              |
| <b>Zinc C1 Costs &amp; royalties *</b> | <i>A\$/lb Total Zn Metal Produced</i> | <b>0.49</b>    | <b>0.58</b>    |

\*C1 Costs include credits for copper, silver and gold

The Jaguar Operation also constitutes an operating segment. Segment revenue increased to \$91.8 million from \$87.7 million in the previous year. Table 2 above demonstrates the very different product mix that was achieved during the two years. In the 2012 financial year, ore was sourced primarily from the copper rich Jaguar mine. The Bentley mine is currently relatively higher in zinc and silver, and lower in copper. Despite the sales product mix variation, sales revenue has been relatively stable. Segment profit before income tax was \$7.0 million during the 2013 financial year. An impairment of the Operation and associated goodwill in 2012 resulted in a charge to the profit and loss of \$256.0 million which weighed heavily on the \$283.7 million reportable segment loss for that year.

*Tropicana Gold Project*

The Tropicana Gold Project segment comprises the Tropicana Gold Mine and exploration activities. The Project is located approximately 330km east northeast of Kalgoorlie in Western Australia and has a combined tenement holding of approximately 12,400 square km. The Tropicana Gold Mine is operated as an unincorporated joint venture. Joint operators of the venture are AngloGold Australia Limited (70% share and manager) and Independence Group NL (30% share). The companies' boards approved the development of the gold mine in November 2010. At 30 June 2013, the construction was estimated to be 93% complete. Commissioning is due to be completed in September 2013 with first gold production in the September 2013 quarter. The Tropicana Gold Mine is currently expected to have a life in excess of 11 years. The Company's share of production in years 1 to 3 is forecast at between 141,000 and 147,000 ounces per annum. Cash costs during this 3 year period, including royalties, are forecast at A\$590 - A\$630 per ounce.

## Operating and financial review (continued)

### 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 commodities and precious metals that are priced by the London Metals Exchange. The Group is not a price maker with respect to the commodities it sells and it is and will remain susceptible to adverse price movements. By way of example, average annual LME nickel prices fell 15% from US\$8.75 per pound in 2012 to US\$7.44 per pound in 2013. Zinc and copper LME prices fell 4% and 6% respectively over the same period. The Group's Board and management regularly review commodity prices in light of forecast trends and give consideration to hedging between 0% and 50% of payable production.

#### *Exchange rates*

The Group is exposed to exchange rate risk on sales denominated in United States dollars whilst its Australian dollar functional currency is the currency of payment to the majority of its suppliers and employees. The AUD/USD currency pair rose on average by 38 points during the financial year. A strengthening AUD implies a lower 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.

#### *Other external factors and risks*

The Group is subject to many other external factors and risks, including the following:

- Operational performance including uncertain mine grades, ground support conditions, grade control, in fill resource drilling, seismicity, mill performance and experience of the workforce;
  - 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 ore body can be inconsistent and complex.
  - Active underground mining operations can be subjected to varying degrees of seismicity. This natural occurrence can represent significant 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 continually find or replace reserves/resources presents as a significant operational risk. Drill sites need to be continually mined (for underground drilling) to enable effective exploration drilling.
- 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;
  - The mining sector generally are price takers with respect to metal prices and also the upgrading of concentrates into metals.
  - Any change in the 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, safety and environmental regulation; and
- Assumption of estimates that impact on reported asset and liability values.

Shareholders are also encouraged to read notes 3 and 4 in the Financial Report.

### Significant changes in the state of affairs

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



**Significant events after the reporting date**

On 28 August 2013, the Company announced that a final dividend for the year ended 30 June 2013 would be paid on 27 September 2013. The dividend is 1 cent per share and will be fully franked.

Other than the above, there has been no other transaction or event of a material and unusual nature likely, in the opinion of the Directors, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

**Environmental regulation and performance**

The Group's operations are subject to significant environmental regulation under the laws of the Commonwealth and various States of Australia. During the year there were no non-compliance incidents.

The Group is subject to the reporting obligations of the National Greenhouse and Energy Reporting Act 2007, under which the Group 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 Corporate Governance section of the Company's website.

**Information on Directors**

**Peter Bilbe**

Qualifications  
Tenure  
Special Responsibilities  
Other Directorships

**Chairman (Non-executive). Age 63**

BE (Mining) (Hons), MAusIMM  
Board member since 31 March 2009 and Chairman since 29 July 2011.  
Mr Bilbe is a member of the Remuneration Committee.  
Mr Bilbe is currently a director of Northern Iron Limited and Sihayo Gold Limited. He was also a director of Norseman Gold plc until December 2011 and Aurox Resources Limited until August 2010.

**Christopher Bonwick**

Qualifications  
Tenure  
Special Responsibilities  
Other Directorships

**Managing Director (Executive). Age 54**

BSc (Hons), MAusIMM  
Managing Director and Board member since 2000.  
Mr Bonwick is the executive in charge of the day to day management of the Group's activities, including operations, risk management and corporate development.  
None.

**Geoffrey Clifford**

Qualifications  
Tenure  
Special Responsibilities  
Other Directorships

**Director (Non-executive) from 10 December 2012. Age 63**

BBus, FCPA, FCIS, FAICD  
Board member since 2012.  
Mr Clifford is a member of the Remuneration, Audit and Hedging Committees.  
Mr Clifford was a director of Atlas Iron Limited, Centaurus Metals Limited and Fox Resources Limited until July 2011.

**Rod Marston**

Qualifications  
Tenure  
Special Responsibilities  
Other Directorships

**Director (Non-executive). Age 70**

BSc (Hons), PhD, MAIG, MSEG  
Board member since 2001.  
Dr Marston is a member of the Remuneration and Audit Committees.  
Dr Marston has been a director of Kasbah Resources Limited since November 2006.

**Kelly Ross**

Qualifications  
Tenure  
Special Responsibilities  
Other Directorships

**Director (Non-executive). Age 51**

BBus, CPA, ACSA  
Board member since 2002.  
Mrs Ross is a member of the Hedging and Audit Committees.  
Mrs Ross is currently a director of Musgrave Minerals Limited.

**John Christie**

Qualifications  
Tenure  
Special Responsibilities  
Other Directorships

**Director (Non-executive) until 21 November 2012. Age 75**

CPA, ACSA  
Board member since 2002.  
Mr Christie was a member of the Remuneration, Audit and Hedging Committees until his resignation on 21 November 2012.  
None.

## Directors' Report

### Company Secretary qualifications

Mr Tony Walsh was appointed Company Secretary effective 17 July 2013. Mr Walsh, who is also employed as the Company's General Manager Corporate, was previously Company Secretary of ASX listed iron ore producer Atlas Iron Limited for seven years since July 2006. Mr Walsh has over 25 years' experience in dealing with listed companies, ASX, ASIC and corporate transactions, including four years as a director of Shaw River Manganese Limited and 14 years with the ASX Limited in Perth where he acted as ASX liaison with the JORC Committee. Mr Walsh is currently a member of the West Australian State Council of Chartered Secretaries Australia and a member of Newman College school council. Prior to his role at the ASX, he worked with Ernst & Young for over 5 years in an audit and compliance capacity. Mr Walsh is also a Fellow of Chartered Secretaries Australia and the Institute of Chartered Accountants in Australia.

Mr Adrian Di Carlo was the interim Company Secretary from 11 February 2013, following the departure of Mr Bourke, until 2 August 2013. Mr Di Carlo is a member of Chartered Secretaries Australia.

Mr Terry (KT) Bourke was Company Secretary from 9 August 2011 until 8 February 2013. Mr Bourke, who was also employed as the Company's Legal Counsel, is a corporate lawyer with considerable mining and industrial experience. He has previously been a director of three ASX listed companies, a director of two listed Canadian mining companies and company secretary of a number of ASX listed companies. Mr Bourke holds a Bachelor of Law degree and a Bachelor of Commerce (Accounting, Finance & Systems) degree from the University of New South Wales. He is a Solicitor of the Supreme Court of New South Wales with a right of practice in Western Australia.

### Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2013, and the numbers of meetings attended by each Director were:

| Director                       | Directors' meetings |          | Remuneration Committee |          | Audit Committee    |          | Hedging Committee  |          |
|--------------------------------|---------------------|----------|------------------------|----------|--------------------|----------|--------------------|----------|
|                                | Eligible to attend  | Attended | Eligible to attend     | Attended | Eligible to attend | Attended | Eligible to attend | Attended |
| Christopher Bonwick            | 14                  | 11       | -                      | -        | -                  | -        | -                  | -        |
| Peter Bilbe                    | 14                  | 14       | 1                      | 1        | -                  | -        | -                  | -        |
| John Christie <sup>1</sup>     | 5                   | 5        | 1                      | 1        | 1                  | 1        | 1                  | 1        |
| Geoffrey Clifford <sup>2</sup> | 8                   | 7        | -                      | -        | 1                  | 1        | 1                  | 1        |
| Rod Marston                    | 14                  | 12       | 1                      | 1        | 2                  | 2        | -                  | -        |
| Kelly Ross                     | 14                  | 14       | -                      | -        | 2                  | 2        | 2                  | 2        |

1. Mr Christie resigned with effect from 21 November 2012.

2. Mr Clifford was appointed a Non-executive Director with effect from 10 December 2012.

### Interests in shares and options 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   |
|---------------------|----------------------------|----------------|
| Christopher Bonwick | 2,057,500                  | 343,059        |
| Rod Marston         | 1,321,917                  | -              |
| Kelly Ross          | 345,000                    | -              |
| Geoffrey Clifford   | -                          | -              |
| Peter Bilbe         | -                          | -              |
| <b>Total</b>        | <b>3,724,417</b>           | <b>343,059</b> |

Details of the terms and conditions for these securities are disclosed in note 32 of the Financial Report.

**AUDITED REMUNERATION REPORT**

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

**Remuneration policy and procedures**

The Company has established a Remuneration Committee to oversee the remuneration of senior executives and executive directors. At the date of this report, the Committee members were independent Directors Rod Marston, Geoffrey Clifford and Peter Bilbe.

The Committee reviews executive directors' and senior management's remuneration and other terms of employment annually, having regard to the skills, experience, the relative industry remuneration levels and performance of both the Group and the individuals' themselves. No director may be involved in setting their own remuneration or terms and conditions.

The remuneration of non-executive directors is determined by the Board within the maximum amount approved by shareholders in general meeting. Non-executive directors are not entitled to retirement benefits other than statutory superannuation or other statutory required benefits. Non-executive directors do not participate in share or bonus schemes designed for executive directors or employees. The remuneration of non-executive directors is fixed to encourage impartiality, high ethical standards and independence on the Board. The available non-executive directors' fees pool is \$600,000 which was approved by shareholders at the Annual General Meeting on 24 November 2010, of which \$440,000 was being utilised at 30 June 2013 (2012: \$440,000).

Non-executive directors may provide additional consulting services to the Group, at a rate approved by the Board. No such services were provided during the year ending 30 June 2013.

Performance evaluations of the Board are undertaken with a view to comparing the performance of the Board and directors to the performance and growth of companies of similar size and complexity within the mining industry. The current base remuneration was reviewed during the current financial year and remained unchanged.

Bonuses may be given to senior managers where the Committee believes their experience and skills have provided the Group with ongoing and enduring benefits that align with shareholder interests. Other performance-based rewards are given where the Committee believes performance of an individual senior manager compares favourably with their peers within the industry. The objective of the rewards are to both reinforce the short and long term goals of the Group and to provide a common interest between management and shareholders. The following summarises the performance of the Group over the last 5 financial years:

|   | 2009  | 2010  | 2011 <sup>1</sup> | 2012                 | 2013  |
|---|-------|-------|-------------------|----------------------|-------|
| Revenue (\$millions)                            | 101.1 | 116.7 | 163.6             | 216.6                | 225.9 |
| Net profit (loss) after income tax (\$millions) | 16.1  | 28.7  | 5.5               | (285.3) <sup>2</sup> | 18.3  |
| Share price at year end (\$/share)              | 4.63  | 4.72  | 5.63              | 3.16                 | 2.26  |
| Dividends paid (cents/share)                    | 7     | 5     | 7                 | 5                    | 2     |

1. Includes results and performance of Jabiru Metals Limited from 4 April 2011.  
 2. Includes after tax non-cash asset impairments of \$288 million.

**Company performance based remuneration**

**Short term incentive (STI)**

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

**Managing Director's KPI's**

The Board introduced a performance criteria in 2010 to incentivise the Managing Director, based on achievement versus target KPI's. The target KPI's relate to matters such as mine production, safety, mine development and costs, as well as exploration success, corporate growth, environmental activity and risk management actions. The total available to be paid in 2013 as an STI for the Managing Director's performance in the 2012 financial year was \$300,000 (2012: \$250,000). STI payments are normally delivered as a yearly cash bonus payable in the subsequent financial year. During the year, the Managing Director was allocated 35% of the total bonus available (\$105,000) for his performance in the 2012 financial year (2012: 62.5% of the total allocated bonus available for the 2011 financial year). However, as a result of economic conditions at the time, the Managing Director voluntarily declined the allocated bonus for the 2012 financial year.

**AUDITED REMUNERATION REPORT (continued)**

***Long term incentive (LTI) – Executives and other employees***

The LTI component of the remuneration package is to reward executive directors, senior managers and other invited employees of the Company 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 Performance Rights Plan (PRP) was approved by shareholders at the Annual General Meeting in November 2011. Under the PRP, 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 PRP is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Vesting of the performance rights to executive directors and executives is subject to a combination of the Company's shareholder return and return on equity. The performance rights will vest if over the three year measurement period the following performance hurdles are achieved:

*Shareholder Return*

The vesting of 75% of the performance rights at the end of the third year will be 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 performance rights (75% of the total) that will vest based on the comparative shareholder return will be:

| 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%                              |

*Return on equity*

The vesting of the remaining 25% of the performance rights at the end of the third year will be 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 will be calculated in accordance with the following formula:

$$\text{ROE} = \text{Net profit after tax} / \text{Total shareholders' equity}$$

The target ROE will be set each year by the Board as part of the budget approval process for the following year. The target ROE for the financial year ending 30 June 2013 was 10% (2012: 10%). The portion of performance rights (25% of the total) that will vest based on the comparative return on equity will be:

| 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%                              |

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 PRP is subject to, and conditional upon, compliance with the Company's employee share trading policy.

***Long term incentives (LTI) – Non-executive directors***

The PRP 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 PRP and any such issue would be subject to all necessary shareholder approvals.

***Use of independent remuneration consultants***

During the current financial year, the Board did not engage any independent remuneration consultants. During the previous financial year, the Board engaged the services of Ernst & Young to advise it on the design and implementation of the Company's Employee Performance Rights Plan which is described above.

**AUDITED REMUNERATION REPORT (continued)****Key Management Personnel**

The Directors who held office during the financial year were Peter Bilbe (Non-executive Director and Chairman), Christopher Bonwick (Managing Director), Kelly Ross (Non-executive Director), John Christie (Non-executive Director until his resignation on 21 November 2012), Rod Marston (Non-executive Director) and Geoffrey Clifford (Non-executive Director following his appointment on 10 December 2012). The Directors held office during the entire financial year unless otherwise stated.

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

- Brett Hartmann – Group Operations Manager
- Rodney Jacobs – Development Manager
- Tim Kennedy – Exploration Manager
- Scott Steinkrug – Chief Financial Officer
- Andrew Eddowes – Business Development Manager (following his appointment to the role on 1 October 2012)
- Drew Totterdell – Business Development Manager (until his resignation from the Company on 30 September 2012)
- Terry (KT) Bourke – Company Secretary/Legal Counsel (until his departure from the Company on 8 February 2013)

**Employment contracts**

Terms and conditions of employment contracts of key management personnel in effect during the year ended 30 June 2013 were as follows:

- i) Non-executive directors do not have employment contracts with the Company.
- ii) The managing director is employed under a contract which does not have a defined term. The contract includes provision for termination benefits of one month's remuneration for every year of service should the Company terminate the employment contract without cause. A termination benefit of 12 months remuneration is payable to the executive should the Company terminate the employment contract due to a takeover event, but only if such payment would not breach ASX Listing Rules. In all other circumstances the contracts can be terminated by either party after provision of one month's notice, in which case only accrued leave and other accrued remuneration is payable. The current employment contract for Christopher Bonwick as at 30 June 2013 provides for total remuneration of \$750,000 (2012: \$750,000).
- iii) Executive directors are entitled to receive cash and/or equity based bonuses in addition to the remuneration stated in their employment contracts and are entitled to participate in the PRP.
- iv) The key management personnel Brett Hartmann is employed under a contract which does not have a defined term and can be terminated by either party after provision of one month's notice, in which case only accrued leave and other accrued remuneration is payable. The current employment contract provides for total remuneration of \$408,205 per annum (2012: \$392,400 per annum). Mr Hartmann may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board. Mr Hartmann is also entitled to participate in the PRP.
- v) The key management personnel Rodney Jacobs is employed under a contract which does not have a defined term and can be terminated by either party after provision of one month's notice, in which case only accrued leave and other accrued remuneration is payable. The current employment contract provides for total remuneration of \$356,975 per annum (2012: \$343,350 per annum). Mr Jacobs may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board. Mr Jacobs is also entitled to participate in the PRP.
- vi) The key management personnel Tim Kennedy is employed under a contract which does not have a defined term and can be terminated by either party after provision of one month's notice, in which case only accrued leave and other accrued remuneration is payable. The current employment contract provides for total remuneration of \$317,462 per annum (2012: \$305,200 per annum). Mr Kennedy may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board. Mr Kennedy is also entitled to participate in the PRP.
- vii) The key management personnel Scott Steinkrug is employed under a contract which does not have a defined term and can be terminated by either party after provision of one month's notice, in which case only accrued leave and other accrued remuneration is payable. The current employment contract provides for total remuneration of \$378,775 per annum (2012: \$364,060 per annum). Mr Steinkrug may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board. Mr Steinkrug is also entitled to participate in the PRP.

**AUDITED REMUNERATION REPORT (continued)****Employment contracts (continued)**

viii) The key management personnel Andrew Eddowes is employed under a contract which does not have a defined term and can be terminated by either party after provision of one month's notice, in which case only accrued leave and other accrued remuneration is payable. The current employment contract provides for total remuneration of \$261,600 per annum. Mr Eddowes may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board. Mr Eddowes is also entitled to participate in the PRP.

ix) The key management personnel Drew Totterdell was employed under a contract which did not have a defined term and could be terminated by Mr Totterdell after provision of one month's notice, in which case only accrued leave and other accrued remuneration was payable. If the Company terminated Mr Totterdell's employment for reasons other than misconduct, the Company would pay 12 months remuneration as compensation. The employment contract provided for total remuneration of \$288,850 per annum (2012: \$288,850 per annum). Mr Totterdell could also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses were approved by the Board. Mr Totterdell was also entitled to participate in the PRP. Mr Totterdell resigned his position from the Company effective 30 September 2012.

x) The key management personnel Terry Bourke was employed under a contract which did not have a defined term and could be terminated by either party after provision of one month's notice, in which case only accrued leave and other accrued remuneration was payable. The employment contract provided for total remuneration of \$333,540 per annum (2012: \$333,540 per annum). Mr Bourke could also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses be approved by the Board. Mr Bourke was also entitled to participate in the PRP. Mr Bourke's employment with the Company ended effective 8 February 2013.



## Directors' Report

### AUDITED REMUNERATION REPORT (continued)

#### Details of remuneration

The following tables show details of the remuneration received by the Directors and key management personnel of the Group for the current and previous financial year:

|                                       | Cash salary & fees <sup>1</sup> | Short-term benefits |                       |         | Post-employment benefits | Long-term benefits              | Share-based payments      | Total     |
|---------------------------------------|---------------------------------|---------------------|-----------------------|---------|--------------------------|---------------------------------|---------------------------|-----------|
|                                       |                                 | Cash bonus          | Non-monetary benefits | Other   | Superannuation           | Long service leave <sup>2</sup> | Share rights <sup>3</sup> |           |
|                                       | \$                              | \$                  | \$                    | \$      | \$                       | \$                              | \$                        | \$        |
| <b>2013</b>                           |                                 |                     |                       |         |                          |                                 |                           |           |
| <b>Non-executive Directors</b>        |                                 |                     |                       |         |                          |                                 |                           |           |
| Peter Bilbe                           | 155,963                         | -                   | -                     | -       | 14,037                   | -                               | -                         | 170,000   |
| John Christie <sup>4</sup>            | 34,404                          | -                   | -                     | -       | 3,096                    | -                               | -                         | 37,500    |
| Geoffrey Clifford <sup>5</sup>        | 46,526                          | -                   | -                     | -       | 4,187                    | -                               | -                         | 50,713    |
| Rod Marston                           | 82,569                          | -                   | -                     | -       | 7,431                    | -                               | -                         | 90,000    |
| Kelly Ross                            | 82,569                          | -                   | -                     | -       | 7,431                    | -                               | -                         | 90,000    |
| <b>Executive Directors</b>            |                                 |                     |                       |         |                          |                                 |                           |           |
| Christopher Bonwick                   | 723,611                         | -                   | -                     | -       | 25,000                   | 17,795                          | 224,937                   | 991,343   |
| <b>Other key management personnel</b> |                                 |                     |                       |         |                          |                                 |                           |           |
| Terry Bourke <sup>6</sup>             | 183,758                         | -                   | -                     | 27,273  | 19,076                   | (817)                           | (12,701)                  | 216,589   |
| Brett Hartmann                        | 382,054                         | 20,000              | -                     | -       | 36,994                   | 12,810                          | 67,259                    | 519,117   |
| Rodney Jacobs                         | 312,042                         | 15,000              | -                     | -       | 25,350                   | 8,397                           | 58,852                    | 419,641   |
| Tim Kennedy                           | 289,135                         | 10,000              | -                     | -       | 25,000                   | 9,732                           | 52,312                    | 386,179   |
| Scott Steinkrug                       | 360,394                         | 15,000              | -                     | -       | 25,000                   | 6,041                           | 62,401                    | 468,836   |
| Drew Totterdell <sup>7</sup>          | 159,676                         | -                   | -                     | -       | 5,963                    | (6,564)                         | (10,999)                  | 148,076   |
| Andrew Eddowes <sup>8</sup>           | 177,059                         | 15,000              | -                     | -       | 16,988                   | 10,957                          | 47,402                    | 267,406   |
| Total remuneration                    | 2,989,760                       | 75,000              | -                     | 27,273  | 215,553                  | 58,351                          | 489,463                   | 3,855,400 |
| <b>2012</b>                           |                                 |                     |                       |         |                          |                                 |                           |           |
| <b>Non-executive Directors</b>        |                                 |                     |                       |         |                          |                                 |                           |           |
| Oscar Aamodt <sup>9</sup>             | 6,881                           | -                   | -                     | -       | 619                      | -                               | -                         | 7,500     |
| Peter Bilbe                           | 133,028                         | -                   | -                     | -       | 11,972                   | -                               | -                         | 145,000   |
| John Christie                         | 77,982                          | -                   | -                     | -       | 7,018                    | -                               | -                         | 85,000    |
| Rod Marston                           | 77,982                          | -                   | -                     | -       | 7,018                    | -                               | -                         | 85,000    |
| Kelly Ross <sup>10</sup>              | 170,149                         | 60,000              | -                     | -       | 14,348                   | 4,345                           | -                         | 248,842   |
| <b>Executive Directors</b>            |                                 |                     |                       |         |                          |                                 |                           |           |
| Christopher Bonwick                   | 699,469                         | 156,250             | -                     | -       | 50,000                   | 37,715                          | 93,708                    | 1,037,142 |
| <b>Other key management personnel</b> |                                 |                     |                       |         |                          |                                 |                           |           |
| Terry Bourke <sup>6</sup>             | 239,288                         | 20,000              | -                     | 32,143  | 24,429                   | 817                             | 12,700                    | 329,377   |
| Brett Hartmann                        | 377,954                         | 75,000              | -                     | -       | 25,000                   | 20,836                          | 14,942                    | 513,732   |
| Rodney Jacobs                         | 314,549                         | 20,000              | -                     | -       | 27,675                   | 4,816                           | 13,074                    | 380,114   |
| Tim Kennedy <sup>11</sup>             | 314,798                         | 20,000              | -                     | -       | 25,000                   | 11,751                          | 11,621                    | 383,170   |
| Scott Steinkrug                       | 347,121                         | 50,000              | -                     | -       | 24,970                   | 2,889                           | 13,863                    | 438,843   |
| Drew Totterdell                       | 280,484                         | 50,000              | -                     | -       | 23,278                   | 4,253                           | 10,999                    | 369,014   |
| Gary Comb <sup>12</sup>               | 81,252                          | -                   | -                     | 280,201 | 44,290                   | 2,929                           | -                         | 408,672   |
| Total remuneration                    | 3,120,937                       | 451,250             | -                     | 312,344 | 285,617                  | 90,351                          | 170,907                   | 4,431,406 |

1 Cash salary and fees include movements in annual leave provision during the year.

2 Long service leave relates to movements in long service leave provision during the year.

3 Rights to shares granted under the PRP are expensed over the performance period, which includes the vesting period of the rights, in accordance with AASB 2 *Share-based Payment*. Negative amounts reflect share rights lapsed during the year.

4 Mr Christie resigned from his position as a Non-executive Director effective 21 November 2012.

5 Mr Clifford commenced employment as a Non-executive Director on 10 December 2012.

6 Mr Bourke commenced employment with the Company on 9 August 2011 and ceased employment effective 8 February 2013. Other short-term benefits relate to a living away from home allowance paid to Mr Bourke.

7 Mr Totterdell resigned from his position as Business Development Manager effective 30 September 2012. An amount accrued for annual leave of \$53,223 was paid out on termination, this amount has been offset against the movement in the provision for the year.

## Directors' Report

- 8 Mr Eddowes was appointed to the position of Business Development Manager effective 1 October 2012. Remuneration has been included from the date of his appointment as a key management personnel.
- 9 Mr Aamodt resigned from his position as Non-executive Director effective 29 July 2011.
- 10 Mrs Ross became a Non-executive Director from 23 August 2011 following her resignation as an executive of the Company. Amounts accrued for annual leave (\$53,928) and long service leave (\$94,567) were paid out on termination, these amounts have been offset against the movement in the provision for the 2012 financial year.
- 11 Mr Kennedy's cash salary and fees and superannuation in the 2012 financial year include amounts of \$30,000 and \$2,700 respectively which relate to fees earned in his role as non-executive director of Argentina Mining Limited. No amounts were received during the current financial year.
- 12 Mr Comb was employed by the Company from 4 April 2011, following the acquisition of Jabiru Metals Limited, until his resignation on 31 August 2011. Amounts accrued for annual leave (\$114,087) and long service leave (\$114,994) were paid out on termination, these amounts have been offset against the movement in the provision for the 2012 financial year.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

| Name                                  | At Risk – LTI<br>Equity<br>Compensation<br>% | At Risk – STI<br>Performance Based<br>Bonuses<br>% | Fixed Remuneration<br>% |
|---------------------------------------|--|--|-------------------------|
| <b>2013</b>                           |  |  |                         |
| <b>Directors</b>                      |  |  |                         |
| Christopher Bonwick                   | 22.7   | -  | 77.3                    |
| Kelly Ross                            | -  | -  | 100.0                   |
| John Christie                         | -  | -  | 100.0                   |
| Rod Marston                           | -  | -  | 100.0                   |
| Geoffrey Clifford                     | -  | -  | 100.0                   |
| Peter Bilbe                           | -  | -  | 100.0                   |
| <b>Other key management personnel</b> |  |  |                         |
| Terry Bourke                          | -  | -  | 100.0                   |
| Brett Hartmann                        | 13.0   | 3.8  | 83.2                    |
| Rodney Jacobs                         | 14.0   | 3.6  | 82.4                    |
| Tim Kennedy                           | 13.5   | 2.6  | 83.9                    |
| Scott Steinkrug                       | 13.3   | 3.2  | 83.5                    |
| Drew Totterdell                       | -  | -  | 100.0                   |
| Andrew Eddowes                        | 17.7   | 5.6  | 76.7                    |
|                                       |  |  |                         |
| <b>2012</b>                           |  |  |                         |
| <b>Directors</b>                      |  |  |                         |
| Oscar Aamodt                          | -  | -  | 100.0                   |
| Christopher Bonwick                   | 9.0  | 15.1   | 75.9                    |
| Kelly Ross                            | -  | 24.1   | 75.9                    |
| John Christie                         | -  | -  | 100.0                   |
| Rod Marston                           | -  | -  | 100.0                   |
| Peter Bilbe                           | -  | -  | 100.0                   |
| <b>Other key management personnel</b> |  |  |                         |
| Terry Bourke                          | 3.8  | 6.1  | 90.1                    |
| Brett Hartmann                        | 2.9  | 14.6   | 82.5                    |
| Rodney Jacobs                         | 3.4  | 5.3  | 91.3                    |
| Tim Kennedy                           | 3.0  | 5.2  | 91.8                    |
| Scott Steinkrug                       | 3.2  | 11.4   | 85.4                    |
| Drew Totterdell                       | 3.0  | 13.5   | 83.5                    |
| Gary Comb                             | -  | -  | 100.0                   |

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.



**AUDITED REMUNERATION REPORT (continued)****Share-based payments**

All share rights relate to share rights granted under the PRP.

The details of each grant of share rights affecting remuneration in the current or future reporting period are as follows:

| Name                                  | Date of grant | Number of share rights granted | Fair value of share right at date of grant | Fair value of share rights at grant date <sup>1</sup> | Number of share rights vested during the year | Number of share rights lapsed during the year | Vesting date <sup>3</sup> | Unamortised total value of grant yet to vest <sup>2</sup> |
|---------------------------------------|---------------|--------------------------------|--|---|---|---|---------------------------|---|
|                                       |               |                                | \$   | \$  |   |   |                           | \$  |
| <b>Executive Directors</b>            |               |                                |  |   |   |   |                           |   |
| Christopher Bonwick                   | 21/11/2012    | 183,824                        | 2.00                                       | 368,179   | -   | -   | 1/07/2015                 | 267,168   |
| Christopher Bonwick                   | 23/11/2011    | 159,235                        | 2.14                                       | 341,559   | -   | -   | 1/07/2014                 | 123,926   |
| <b>Other key management personnel</b> |               |                                |  |   |   |   |                           |   |
| Terry Bourke                          | 13/03/2012    | 49,570                         | 1.69                                       | 84,020  | -   | (49,570)                                      | 1/07/2014                 | -   |
| Brett Hartmann                        | 28/02/2013    | 67,324                         | 2.06                                       | 138,643   | -   | -   | 1/07/2015                 | 113,336   |
| Brett Hartmann                        | 13/03/2012    | 58,318                         | 1.69                                       | 98,848  | -   | -   | 1/07/2014                 | 41,953  |
| Rodney Jacobs                         | 28/02/2013    | 58,908                         | 2.06                                       | 121,311   | -   | -   | 1/07/2015                 | 99,168  |
| Rodney Jacobs                         | 13/03/2012    | 51,028                         | 1.69                                       | 86,492  | -   | -   | 1/07/2014                 | 36,709  |
| Tim Kennedy                           | 28/02/2013    | 52,363                         | 2.06                                       | 107,382   | -   | -   | 1/07/2015                 | 88,149  |
| Tim Kennedy                           | 13/03/2012    | 45,358                         | 1.69                                       | 76,880  | -   | -   | 1/07/2014                 | 32,630  |
| Scott Steinkrug                       | 28/02/2013    | 62,461                         | 2.06                                       | 128,626   | -   | -   | 1/07/2015                 | 105,148   |
| Scott Steinkrug                       | 13/03/2012    | 54,106                         | 1.69                                       | 91,708  | -   | -   | 1/07/2014                 | 38,923  |
| Andrew Eddowes                        | 28/02/2013    | 34,597                         | 2.06                                       | 71,245  | -   | -   | 1/07/2015                 | 58,240  |
| Andrew Eddowes                        | 13/03/2012    | 17,125                         | 1.69                                       | 62,370  | -   | -   | 1/07/2013                 | -   |
| Drew Totterdell                       | 13/03/2012    | 42,928                         | 1.69                                       | 72,763  | -   | (42,928)                                      | 1/07/2014                 | -   |

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*.
2. Unamortised total value of award based on the fair value of share right at date of grant less amounts expensed to date.
3. Share rights only vest if performance targets are achieved.

**End of Audited Remuneration Report**

**Share options**

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 2013 on the exercise of options.

**Insurance of officers**

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 an 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 for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

**Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (BDO (WA) Pty Ltd) for non-audit services provided during the year are set out below.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and the scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO received or are due to receive the following amounts for the provision of non-audit services during the year:

|                   |        |
|-------------------|--------|
|                   | \$     |
| Taxation services | 21,851 |
| Other services    | 23,165 |
|                   | <hr/>  |
|                   | 45,016 |
|                   | <hr/>  |

**Auditor independence**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17. This declaration forms part of the Directors' Report.

**Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Board of Directors.



**C Bonwick**  
**Managing Director**

Perth, Western Australia  
 Dated this 28th day of August 2013

28 August 2013

Board of Directors  
Independence Group NL  
Suite 4, Level 5, South Shore Centre  
South Perth

Dear Directors,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF  
INDEPENDENCE GROUP NL

As lead auditor of Independence Group NL for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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



Brad McVeigh  
Director

BDO Audit (WA) Pty Ltd  
Perth, Western Australia

**Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the year ended 30 June 2013**



|   | Notes | Consolidated<br>2013<br>\$000 | 2012<br>\$000    |
|---|-------|-------------------------------|------------------|
| Revenue from continuing operations  | 6     | 225,871                       | 216,557          |
| Other income  | 7     | 690                           | -                |
| Mining, development and processing costs  |       | (63,156)                      | (74,763)         |
| Employee benefits expense   |       | (54,659)                      | (51,636)         |
| Share-based payments expense  |       | (3,874)                       | (862)            |
| Fair value movement of financial investments  |       | (2,196)                       | (3,490)          |
| Depreciation and amortisation expense   |       | (24,450)                      | (39,231)         |
| Rehabilitation and restoration borrowing costs  |       | (268)                         | (375)            |
| Exploration costs expensed  |       | (2,667)                       | (2,813)          |
| Royalty expense   |       | (8,029)                       | (8,028)          |
| Ore tolling expense   |       | (11,978)                      | (11,234)         |
| Shipping and wharfage costs   |       | (12,464)                      | (11,178)         |
| Net (losses) gains on fair value financial liabilities  |       | (345)                         | 1,356            |
| Borrowing and finance costs   |       | (1,356)                       | (1,413)          |
| Impairment of exploration and evaluation expenditure  | 21    | (5,762)                       | (116,462)        |
| Impairment of goodwill and other assets   | 21    | -                             | (255,929)        |
| Other expenses  |       | (7,530)                       | (9,339)          |
| <b>Profit (loss) from continuing operations before income tax</b>   |       | <b>27,827</b>                 | <b>(368,840)</b> |
| Income tax (expense) benefit  | 9     | (9,539)                       | 83,548           |
| <b>Profit (loss) after income tax</b>   |       | <b>18,288</b>                 | <b>(285,292)</b> |
| <b>Other comprehensive income</b>   |       |                               |                  |
| Items that will be reclassified to profit or loss   |       |                               |                  |
| Effective portion of changes in fair value of cash flow hedges, net of tax                                    |       | (10,160)                      | 7,273            |
| <b>Other comprehensive (loss) income, net of tax</b>  |       | <b>(10,160)</b>               | <b>7,273</b>     |
| <b>Total comprehensive income (loss)</b>  |       | <b>8,128</b>                  | <b>(278,019)</b> |
| <b>Profit (loss) attributable to the members of Independence Group NL</b>                                     |       | <b>18,288</b>                 | <b>(285,292)</b> |
| <b>Total comprehensive income (loss) attributable to the members of Independence Group NL</b>                 |       | <b>8,128</b>                  | <b>(278,019)</b> |
|   |       | Cents                         | Cents            |
| <b>Earnings (loss) per share for profit (loss) attributable to the ordinary equity holders of the Company</b> |       |                               |                  |
| Basic earnings (loss) per share   | 11    | 7.85                          | (130.47)         |
| Diluted earnings (loss) per share   | 11    | 7.79                          | (130.47)         |

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

|  | Notes | Consolidated<br>2013<br>\$000 | 2012<br>\$000  |
|--|-------|-------------------------------|----------------|
| <b>ASSETS</b>  |       |                               |                |
| <b>Current assets</b>                                      |       |                               |                |
| Cash and cash equivalents                                  | 12    | 27,215                        | 192,678        |
| Trade and other receivables                                | 13    | 24,159                        | 58,797         |
| Inventories  | 14    | 22,760                        | 16,786         |
| Financial assets   | 15    | 1,092                         | 3,346          |
| Derivative financial instruments                           | 25    | 6,946                         | 23,950         |
| <b>Total current assets</b>                                |       | <b>82,172</b>                 | <b>295,557</b> |
| <b>Non-current assets</b>                                  |       |                               |                |
| Receivables  | 16    | 604                           | 475            |
| Property, plant and equipment                              | 17    | 36,278                        | 37,173         |
| Mine properties  | 18    | 349,115                       | 123,274        |
| Exploration and evaluation expenditure                     | 19    | 199,392                       | 203,371        |
| Deferred tax assets  | 9     | 152,261                       | 152,620        |
| Intangible assets  | 20    | 179                           | 454            |
| Derivative financial instruments                           | 25    | 1,981                         | -              |
| <b>Total non-current assets</b>                            |       | <b>739,810</b>                | <b>517,367</b> |
| <b>TOTAL ASSETS</b>  |       | <b>821,982</b>                | <b>812,924</b> |
| <b>LIABILITIES</b>   |       |                               |                |
| <b>Current liabilities</b>                                 |       |                               |                |
| Trade and other payables                                   | 22    | 53,599                        | 60,329         |
| Borrowings   | 27    | 6,030                         | 11,685         |
| Derivative financial instruments                           | 25    | 1,910                         | 570            |
| Provisions   | 23    | 2,446                         | 1,260          |
| Financial liabilities at fair value through profit or loss | 26    | -                             | 4,818          |
| <b>Total current liabilities</b>                           |       | <b>63,985</b>                 | <b>78,662</b>  |
| <b>Non-current liabilities</b>                             |       |                               |                |
| Borrowings   | 27    | 11,524                        | 6,934          |
| Provisions   | 24    | 21,724                        | 14,749         |
| Deferred tax liabilities                                   | 9     | 75,280                        | 70,454         |
| <b>Total non-current liabilities</b>                       |       | <b>108,528</b>                | <b>92,137</b>  |
| <b>TOTAL LIABILITIES</b>                                   |       | <b>172,513</b>                | <b>170,799</b> |
| <b>NET ASSETS</b>  |       | <b>649,469</b>                | <b>642,125</b> |
| <b>EQUITY</b>  |       |                               |                |
| Contributed equity   | 28    | 734,007                       | 734,007        |
| Reserves   | 29    | 14,332                        | 20,618         |
| Accumulated losses   | 29    | (98,870)                      | (112,500)      |
| <b>TOTAL EQUITY</b>  |       | <b>649,469</b>                | <b>642,125</b> |

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

**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2013**



|   | Notes | Consolidated  |               |
|---|-------|---------------|---------------|
|   |       | 2013<br>\$000 | 2012<br>\$000 |
| <b>Cash flows from operating activities</b>                               |       |               |               |
| Receipts from customers (inclusive of GST)                                |       | 241,164       | 211,390       |
| Payments to suppliers and employees (inclusive of GST)                    |       | (173,355)     | (183,087)     |
|   |       | 67,809        | 28,303        |
| Interest and other costs of finance paid                                  |       | (1,314)       | (1,307)       |
| Exploration expenditure   |       | (2,824)       | (2,813)       |
| Refund of income taxes paid   |       | -             | 10,057        |
| Income taxes paid   |       | -             | (2,524)       |
| Receipts from other operating activities                                  |       | 301           | 263           |
| <b>Net cash flows from operating activities</b>                           | 30    | 63,972        | 31,979        |
| <b>Cash flows from investing activities</b>                               |       |               |               |
| Interest received   |       | 3,547         | 11,422        |
| Payments for purchase of listed and unlisted investments                  |       | (183)         | -             |
| Proceeds from sale of property, plant and equipment and other investments |       | 1,258         | 396           |
| Payments for property, plant and equipment                                |       | (7,634)       | (19,392)      |
| Payments for development expenditure                                      |       | (170,558)     | (89,492)      |
| Payments for exploration and evaluation expenditure                       |       | (37,980)      | (57,244)      |
| <b>Net cash flows used in investing activities</b>                        |       | (211,550)     | (154,310)     |
| <b>Cash flows from financing activities</b>                               |       |               |               |
| Proceeds from borrowings  |       | 10,000        | -             |
| Transaction costs associated with borrowings                              |       | (2,045)       | -             |
| Proceeds from issue of shares   |       | -             | 119,902       |
| Share issue costs   |       | -             | (4,397)       |
| Repayment of finance lease liabilities                                    |       | (13,800)      | (5,900)       |
| Repayment of borrowings   |       | (7,382)       | (11,852)      |
| Payment of dividends  |       | (4,658)       | (10,745)      |
| <b>Net cash flows (used in) from financing activities</b>                 |       | (17,885)      | 87,008        |
| Net decrease in cash held   |       | (165,463)     | (35,323)      |
| Cash and cash equivalents at the beginning of the financial year          |       | 192,678       | 228,001       |
| <b>Cash and cash equivalents at the end of the financial year</b>         | 12    | 27,215        | 192,678       |

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

**Consolidated Statement of Changes in Equity  
For the year ended 30 June 2013**



|  | Issued<br>capital<br>\$000 | (Accumulated<br>losses)/<br>retained<br>earnings<br>\$000 | Hedging<br>reserve<br>\$000 | Share-based<br>payments<br>reserve<br>\$000 | Acquisition<br>reserve<br>\$000 | Total equity<br>\$000 |
|--|----------------------------|---|-----------------------------|---|---------------------------------|-----------------------|
| <b>Consolidated</b>  |                            |   |                             |   |                                 |                       |
| <b>At 1 July 2011</b>  | 617,860                    | 183,537   | 5,284                       | 4,057                                       | 3,142                           | 813,880               |
| Loss for the year  | -                          | (285,292)   | -                           | -   | -                               | (285,292)             |
| <b>Other comprehensive income</b>  |                            |   |                             |   |                                 |                       |
| Effective portion of changes in fair value of cash flow hedges, net of tax | -                          | -   | 7,273                       | -   | -                               | 7,273                 |
| <b>Total comprehensive (loss) income for the year</b>                      | -                          | (285,292)   | 7,273                       | -   | -                               | (278,019)             |
| <b>Transactions with owners in their capacity as owners</b>                |                            |   |                             |   |                                 |                       |
| Shares issued  | 119,902                    | -   | -                           | -   | -                               | 119,902               |
| Transaction costs on shares issued, net of tax                             | (3,755)                    | -   | -                           | -   | -                               | (3,755)               |
| Dividends paid   | -                          | (10,745)  | -                           | -   | -                               | (10,745)              |
| Share-based payments   | -                          | -   | -                           | 862   | -                               | 862                   |
| <b>At 30 June 2012</b>   | <b>734,007</b>             | <b>(112,500)</b>  | <b>12,557</b>               | <b>4,919</b>                                | <b>3,142</b>                    | <b>642,125</b>        |
| <b>At 1 July 2012</b>  | 734,007                    | (112,500)   | 12,557                      | 4,919                                       | 3,142                           | 642,125               |
| Profit for the year  | -                          | 18,288  | -                           | -   | -                               | 18,288                |
| <b>Other comprehensive income</b>  |                            |   |                             |   |                                 |                       |
| Effective portion of changes in fair value of cash flow hedges, net of tax | -                          | -   | (10,160)                    | -   | -                               | (10,160)              |
| <b>Total comprehensive (loss) income for the year</b>                      | -                          | 18,288  | (10,160)                    | -   | -                               | 8,128                 |
| <b>Transactions with owners in their capacity as owners</b>                |                            |   |                             |   |                                 |                       |
| Dividends paid   | -                          | (4,658)   | -                           | -   | -                               | (4,658)               |
| Share-based payments   | -                          | -   | -                           | 3,874                                       | -                               | 3,874                 |
| <b>At 30 June 2013</b>   | <b>734,007</b>             | <b>(98,870)</b>   | <b>2,397</b>                | <b>8,793</b>                                | <b>3,142</b>                    | <b>649,469</b>        |

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



## **1. CORPORATE INFORMATION**

The financial report of Independence Group NL (the Company) and its subsidiaries (collectively, the Group) for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 28 August 2013.

Independence Group NL is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Independence Group NL and its subsidiaries.

### **(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Independence Group NL is a for-profit entity for the purpose of preparing the financial statements.

#### *(i) Compliance with IFRS*

The consolidated financial statements of the Independence Group NL group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *(ii) New and amended standards adopted by the Group*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

#### *(iii) Early adoption of standards*

The Group has not elected to early adopt any new accounting standards.

#### *(iv) Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and certain classes of property, plant and equipment.

#### *(v) Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(b) Basis of consolidation**

#### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Independence Group NL (Company or parent entity) as at 30 June 2013 and the results of all subsidiaries for the year then ended. Independence Group NL and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note (2)(e)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and balance sheet respectively.

#### *(ii) Associates*

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

#### *(iii) Joint ventures*

Jointly controlled operations

The proportionate interests in the assets, liabilities and expenses of a jointly controlled venture have been incorporated in the financial statements under the appropriate headings. Details of joint ventures are set out in note 37.

Joint venture entities

The Company's interests in joint venture entities, if any, are brought to account at cost using the equity method of accounting in the financial statements.

### **(c) Segment reporting**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues.

Operating segments have been identified based on the information provided to the chief operating decision makers – identified as being the Board of Independence Group NL.

Operating segments that meet the quantitative criteria as described by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(d) Foreign currency translation**

#### *(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars (\$), which is Independence Group NL's functional and presentation currency.

#### *(ii) Transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### **(e) Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

### **(f) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the asset's value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that become impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

### **(g) Cash and cash equivalents**

Cash and cash equivalents in the 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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(h) Trade and other receivables**

Trade receivables are generally received up to four months after the shipment date. The receivables are initially recognised at fair value.

Trade receivables are subsequently revalued by the marking-to-market of open sales. The Group determines mark-to-market prices using forward prices at each period end for copper and zinc concentrates and nickel ore.

Collectibility of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor or default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

### **(i) Inventories**

#### *(i) Ore and concentrate*

Inventories are valued at the lower of weighted average cost and net realisable value. Costs include fixed direct costs, variable direct costs and an appropriate portion of fixed overhead costs.

#### *(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.

### **(j) Derivative financial instruments**

The Group uses derivative financial instruments to manage its risks associated with metals price and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at the end of each reporting period.

The Group uses derivative financial instruments such as foreign currency contracts and commodity contracts to hedge its risks associated with gold, nickel, copper and zinc prices and foreign currency fluctuations. Such derivative financial instruments are recognised at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of commodity contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges (forward foreign currency contracts and commodity contracts) to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in the profit or loss. If the hedge accounting conditions are not met, movements in fair value are recognised in the profit or loss.

Amounts accumulated in equity are recycled in the statement of profit or loss and other comprehensive income in the periods when the hedged item will affect profit or loss, for instance when the forecast sale that is hedged takes place. The gain or loss relating to the effective portion of forward foreign exchange contracts and forward commodity contracts is recognised in the profit or loss within sales.

### **(k) Investments and other financial assets**

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Investments and other financial assets (continued)

After initial recognition, financial assets which are classified as held for trading are measured at fair value. Gains or losses on investments held for trading are recognised in the profit or loss. The Group has investments in listed entities which are considered to be tradeable by the Board and which the Company expects to sell for cash in the future.

For investments carried at amortised cost, gains and losses are recognised in the statement of profit or loss and other comprehensive income when the investments are de-recognised or impaired, as well as through the amortisation process.

Fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (eg. unlisted securities), a valuation technique is applied and if this is deemed unsuitable, they are held at initial cost.

### (l) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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.

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 years     |
| Mining plant and equipment          | 2 – 5 years |
| Motor vehicles                      | 3 – 5 years |
| Furniture and fittings              | 3 – 5 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.

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

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

### (m) Exploration and evaluation expenditure

Exploration and evaluation expenditure is stated at cost and is accumulated in respect of each identifiable area of interest.

Such costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest (or alternatively by its sale), or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations are continuing.

Accumulated costs in relation to an abandoned area are written off to profit or loss in the period in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. 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.

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(n) Mine properties and restoration costs**

#### *(i) Mine properties in development*

When technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then any subsequent expenditure in that area of interest is classified as mine properties in development. These costs are not amortised but the carrying value is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

#### *(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 expenditure not yet amortised exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount and the impairment losses are recognised in profit or loss.

#### *(iii) Rehabilitation, restoration and environmental costs*

Long-term environmental obligations are based on the Company's environmental management plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. To the extent that future economic benefits are expected to arise, these costs are capitalised and amortised over the remaining lives of the mines.

Annual increases in the provision relating to the change in the net present value of the provision are recognised as finance costs. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure.

### **(o) Intangible assets**

#### *(i) Goodwill*

Goodwill is measured as described in note 2(e). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

#### *(ii) Other*

Other intangible assets relate to a database for research purposes, which is carried at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the time it will take to complete the research on the database which is currently four years.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(p) Leases**

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (refer note 27). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### **(q) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

### **(r) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

### **(s) Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

### **(t) Financial liabilities**

The Group designates certain liabilities at fair value through profit or loss. Financial liabilities are initially measured at cost, being the fair value of the amounts received. After initial recognition, financial liabilities are measured at fair value, with gains or losses recognised in the profit or loss.

### **(u) Employee benefits**

#### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and cumulative sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in trade and other payables.

#### *(ii) Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(v) Share-based payment transactions**

#### *Equity-settled transactions*

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently a plan in place to provide these benefits, the Employee Performance Rights Plan (PRP), which provides benefits to executive directors and other employees.

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined in conjunction with an external valuation consultant 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 cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award is treated as if it was a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

### **(w) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **(x) Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### *(i) Sale of goods*

Revenue from the sale of goods is recognised when there is persuasive evidence indicating that there has been a transfer of risks and rewards to the customer.

Sales revenue comprises gross revenue earned, net of treatment and refining charges where applicable, from the provision of product to customers, and includes hedging gains and losses. Sales are initially recognised at estimated sales value when the product is delivered. Adjustments are made for variations in metals price, assay, weight and currency between the time of delivery and the time of final settlement of sales proceeds.

#### *(ii) Interest revenue*

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(y) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### *Tax consolidation legislation*

Independence Group NL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income, directly in equity or as a result of a business combination. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### **(z) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (aa) Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to shareholders, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to shareholders, adjusted for:

- cost of servicing equity;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

### (ab) Comparatives

Where appropriate, comparatives have been reclassified to be consistent with the current year presentation. The reclassification does not have an impact on the results presented.

### (ac) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

| AASB reference  | AASB Standard affected | Nature of change  | Application date of standard                                  | Impact on Independence Group NL's financial statements  | Application date for Independence Group NL |
|---|------------------------|---|---|---|--|
| AASB 9 (issued December 2009 and amended December 2010) | Financial Instruments  | <p>Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated.</p> <p>Under AASB 9, there are three categories of financial assets:</p> <ul style="list-style-type: none"> <li>• Amortised cost</li> <li>• Fair value through profit or loss</li> <li>• Fair value through other comprehensive income.</li> </ul> <p>The following requirements have generally been carried forward unchanged from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> into AASB 9:</p> <ul style="list-style-type: none"> <li>• Classification and measurement of financial liabilities; and</li> <li>• Derecognition requirements for financial assets and liabilities.</li> </ul> <p>However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.</p> | Annual reporting periods beginning on or after 1 January 2015 | Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. This standard is not expected to impact the Group as financial assets are currently classified as fair value through profit or loss. | 1 July 2015                                |

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ac) New accounting standards and interpretations

| AASB reference                  | AASB Standard affected            | Nature of change   | Application date of standard                                  | Impact on Independence Group NL's financial statements   | Application date for Independence Group NL |
|---------------------------------|-----------------------------------|--|---|--|--|
| AASB 10<br>(issued August 2011) | Consolidated Financial Statements | <p>Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:</p> <ul style="list-style-type: none"> <li>• Power over investee (whether or not power used in practice)</li> <li>• Exposure, or rights, to variable returns from investee</li> <li>• Ability to use power over investee to affect the Company's returns from investee.</li> <li>• Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.</li> </ul>   | Annual reporting periods beginning on or after 1 January 2013 | <p>When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Company does not have any special purpose entities.</p> <p>The Company does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.</p> | 1 July 2013                                |
| AASB 11<br>(issued August 2011) | Joint Arrangements                | <p>Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).</p> <p>Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed).</p> <p>However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.</p> | Annual reporting periods beginning on or after 1 January 2013 | The standard is not expected to have any impact on the current treatment of joint arrangements.  | 1 July 2013                                |

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ac) New accounting standards and interpretations (continued)

| AASB reference                           | AASB Standard affected                                    | Nature of change  | Application date of standard                                  | Impact on Independence Group NL's financial statements   | Application date for Independence Group NL |
|--|---|---|---|--|--|
| AASB 13 (issued September 2011)          | Fair Value Measurement                                    | <p>Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.</p> <p>Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.</p> | Annual reporting periods beginning on or after 1 January 2013 | When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures may be required about fair values.  | 1 July 2013                                |
| AASB 119 (reissued September 2011)       | Employee Benefits   | Employee benefits <u>expected to be settled</u> (as opposed to <u>due to be settled</u> under the current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.  | Annual periods beginning on or after 1 January 2013           | <p>The Company currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave at any time. The amendments to AASB 119 require that such liabilities be calculated on the basis of when the leave is expected to be taken, i.e. expected settlement.</p> <p>When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a small reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.</p> | 1 July 2013                                |
| Interpretation 20 (issued November 2011) | Stripping Costs in the Production Phase of a Surface Mine | Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 <i>Inventories</i> if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, mine property asset if certain recognition criteria are met (as an addition to, or enhancement of, an existing asset).  | Annual reporting periods beginning on or after 1 January 2013 | When this standard is adopted for the year ended 30 June 2014, stripping costs are likely to be classified as both inventories under AASB 102 and a mine property asset.   | 1 July 2013                                |

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ac) New accounting standards and interpretations (continued)

| AASB reference                      | AASB Standard affected  | Nature of change  | Application date of standard                                  | Impact on Independence Group NL's financial statements   | Application date for Independence Group NL |
|-------------------------------------|---|---|---|--|--|
| AASB 2012-9 (issued December 2012)  | Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039                          | Deletes Australian Interpretation 1039 <i>Substantive Enactment of Major Tax Bills In Australia</i> from the list of mandatory Australian Interpretations to be applied by entities preparing financial statements under the <i>Corporations Act 2001</i> or other general purpose financial statements.  | Annual reporting periods beginning on or after 1 January 2013 | There will be no impact on first-time adoption of this amendment as the group does not account for proposed changes in taxation legislation until the relevant Bill has passed through both Houses of Parliament, which is consistent with the views expressed by the Australian Accounting Standards Board in their agenda decision of December 2012. | 1 July 2013                                |
| AASB 2012-5 (issued June 2012)      | Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle                | Non-urgent but necessary changes to standards: AASB 101; AASB 116 and AASB 132.   | Annual reporting periods beginning on or after 1 January 2013 | When this standard is first adopted for the year ended 30 June 2014, there will be no material impact.   | 1 July 2014                                |
| AASB 12 (issued August 2011)        | Disclosure of Interests in Other Entities   | Combines existing disclosures from AASB 127 <i>Consolidated and Separate Financial Statements</i> , AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i> . Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.  | Annual reporting periods beginning on or after 1 January 2013 | As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.  | 1 July 2013                                |
| AASB 2012-6 (issued September 2012) | Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures | Defers the effective date of AASB 9 to 1 January 2015. Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.   | Annual reporting periods beginning on or after 1 January 2015 | As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.  | 1 July 2015                                |
| AASB 101                            | Presentation of Financial Statements  | Minimum comparative information<br><br>Clarifies the requirements for comparative information as follows:<br><br><ul style="list-style-type: none"> <li>• Only one year's comparative information (i.e. for the preceding period)</li> <li>• Two of each financial statement</li> <li>• Narrative information provided in preceding period's financial statements that continues to be relevant in current period.</li> </ul> | Annual reporting periods beginning on or after 1 January 2013 | There will be no impact when this amendment is first adopted as the entity only includes comparatives for the preceding period.  | 1 July 2013                                |

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(ad) Parent entity financial information**

The financial information for the parent entity, Independence Group NL, disclosed in note 38 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### *(i) Investments in subsidiaries, associates and joint ventures*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Independence Group NL. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

#### *(ii) Tax consolidation legislation*

Independence Group NL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Independence Group NL, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Independence Group NL also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Independence Group NL for any current tax payable assumed and are compensated by Independence Group NL for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Independence Group NL under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under the tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, interest rate risk, equity price risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts, forward commodity contracts and collar arrangements to hedge certain risk exposures.

Risk management relating to commodity and foreign exchange risk is overseen by the Hedging Committee under policies approved by the Board of Directors. The Board identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, commodity price, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

#### Risk exposures and responses

##### Foreign currency risk

As 100% of the Group's sales revenues for nickel, copper, zinc, silver and gold are denominated in US dollars (USD) and the majority of operating costs are denominated in Australian dollars, the Group's cash flow is significantly exposed to movements in the A\$:US\$ exchange rate. The Group mitigates this risk through the use of derivative instruments, including but not limited to forward contracts and the purchase of Australian dollar call options.

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

|  | <b>Consolidated</b> |              |
|--|---------------------|--------------|
|  | <b>2013</b>         | <b>2012</b>  |
|  | <b>\$000</b>        | <b>\$000</b> |
| <b>Financial assets</b>                                    |                     |              |
| Cash and cash equivalents                                  | 3,319               | 16,187       |
| Trade and other receivables                                | 14,801              | 30,631       |
| Derivative financial instruments                           | 5,263               | 23,950       |
|  | 23,383              | 70,768       |
| <b>Financial liabilities</b>                               |                     |              |
| Trade and other payables                                   | -                   | 2,218        |
| Derivative financial instruments                           | 1,910               | 570          |
| Financial liabilities at fair value through profit or loss | -                   | 4,818        |
|  | 1,910               | 7,606        |
| Net financial assets                                       | 21,473              | 63,162       |

The cash balance above only represents the cash held in the US dollar bank accounts at the reporting date and converted into Australian dollars at the 30 June 2013 A\$:US\$ exchange rate of \$0.9138 (2012: \$1.0191). The remainder of the cash balance of \$23,896,000 (2012: \$176,491,000) was held in Australian dollars and therefore not exposed to foreign currency risk.

The trade and other receivables amounts represent the US dollar denominated trade debtors. All other trade and other receivables were denominated in Australian dollars at the reporting date.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Foreign currency risk (continued)*

The following table summarises the Group's sensitivity of financial instruments held at 30 June 2013 to movements in the A\$:US\$ exchange rate, with all other variables held constant. Sensitivity analysis is calculated using a reasonable possible change of 1.5% (2012: 1.5%) in the foreign rate in both directions based on the exposure period of the trade receivables, a 5.0% (2012: 5.0%) variation for derivative contracts, a nil% (2012: 5.0%) variation for financial liabilities and a 9.0% (2012: 5.0%) variation for USD cash balances in both directions.

| Sensitivity of financial instruments to foreign currency movements | Profit after tax<br>Consolidated |               |
|--|----------------------------------|---------------|
|  | 2013<br>\$000                    | 2012<br>\$000 |
| <b>Financial assets</b>  |                                  |               |
| Cash and cash equivalents  |                                  |               |
| Increase 9.0% (2012: 5.0%)   | (211)                            | (540)         |
| Decrease 9.0% (2012: 5.0%)   | 258                              | 596           |
| Trade receivables  |                                  |               |
| Increase 1.5% (2012: 1.5%)   | (153)                            | (317)         |
| Decrease 1.5% (2012: 1.5%)   | 158                              | 327           |
| Derivative financial instruments                                   |                                  |               |
| Increase 5.0% (2012: 5.0%)   | (175)                            | 1,308         |
| Decrease 5.0% (2012: 5.0%)   | 194                              | (1,446)       |
|  | 71                               | (72)          |
| <b>Financial liabilities</b>                                       |                                  |               |
| Trade and other payables   |                                  |               |
| Increase 1.5% (2012: 1.5%)   | -                                | 23            |
| Decrease 1.5% (2012: 1.5%)   | -                                | (24)          |
| Derivative financial instruments                                   |                                  |               |
| Increase 5.0% (2012: 5.0%)   | 679                              | 19            |
| Decrease 5.0% (2012: 5.0%)   | (751)                            | (21)          |
| Financial liabilities at fair value through profit or loss         |                                  |               |
| Increase 0.0% (2012: 5.0%)   | -                                | 161           |
| Decrease 0.0% (2012: 5.0%)   | -                                | (178)         |
|  | (72)                             | (20)          |
| Net sensitivity to foreign currency movements                      | (1)                              | (92)          |

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Commodity price risk

The Group's sales revenues are generated from the sale of nickel, copper, zinc, silver and gold. Accordingly, the Group's revenues, derivatives and trade receivables are exposed to commodity price risk fluctuations, primarily nickel, copper, zinc 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. All of the hedges qualify as "highly probable" forecast transactions for hedge accounting purposes.

##### Copper and zinc

Copper and zinc concentrate sales have an average price finalisation period of up to four 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 Project.

The markets for nickel, copper, zinc, silver and gold are freely traded and can be reasonably 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 pricing, 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     | Consolidated  |               |
|--|---------------|---------------|
|  | 2013<br>\$000 | 2012<br>\$000 |
| <b>Financial assets</b>  |               |               |
| Trade and other receivables                                    | 12,839        | 30,519        |
| Derivative financial instruments – commodity hedging contracts | 8,927         | 15,065        |
|  | <u>21,766</u> | <u>45,584</u> |
| <b>Financial liabilities</b>                                   |               |               |
| Derivative financial instruments – commodity hedging contracts | -             | 570           |
| Financial liabilities at fair value through profit or loss     | -             | 4,818         |
|  | <u>-</u>      | <u>5,388</u>  |
| Net exposure   | <u>21,766</u> | <u>40,196</u> |

The following table summarises the sensitivity of financial instruments held at 30 June 2013 to movements in the nickel price, with all other variables held constant. Trade receivables valuation uses a sensitivity analysis of 1.5% (2012: 1.5%) which is based upon the three month forward commodity rate as there is a three month lag time between delivery and final nickel price received. A 20.0% (2012: 20.0%) sensitivity rate is used to value derivative contracts held and is based on reasonable assessment of the possible changes.

| Sensitivity of financial instruments to nickel price movements | Profit after tax<br>Consolidated |               |
|--|----------------------------------|---------------|
|  | 2013<br>\$000                    | 2012<br>\$000 |
| <b>Financial assets</b>  |                                  |               |
| Trade receivables  |                                  |               |
| Increase 1.5% (2012: 1.5%)                                     | 298                              | 243           |
| Decrease 1.5% (2012: 1.5%)                                     | (298)                            | (243)         |
| Derivative financial instruments – commodity hedging contracts |                                  |               |
| Increase 20.0% (2012: 20.0%)                                   | (2,117)                          | (5,523)       |
| Decrease 20.0% (2012: 20.0%)                                   | 2,117                            | 5,523         |
|  | <u>-</u>                         | <u>-</u>      |



### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Commodity price risk (continued)

The following table summarises the sensitivity of financial instruments held at 30 June 2013 to movements in the copper price, with all other variables held constant. Trade receivables valuation uses a sensitivity analysis of 1.5% (2012: 1.5%) which is based upon the three month forward commodity rate as there is a three month lag time between delivery and final copper price received.

| Sensitivity of financial instruments to copper price movements | Profit after tax<br>Consolidated |               |
|--|----------------------------------|---------------|
|  | 2013<br>\$000                    | 2012<br>\$000 |
| <b>Financial assets</b>  |                                  |               |
| Trade receivables  |                                  |               |
| Increase 1.5% (2012: 1.5%)                                     | 124                              | 276           |
| Decrease 1.5% (2012: 1.5%)                                     | (124)                            | (276)         |
|  | -                                | -             |

The following table summarises the sensitivity of financial instruments held at 30 June 2013 to movements in the gold price, with all other variables held constant. A 20.0% (2012: 20.0%) sensitivity rate is used to value derivative contracts held and is based on reasonable assessment of the possible changes.

| Sensitivity of financial instruments to gold price movements   | Profit after tax<br>Consolidated |               |
|--|----------------------------------|---------------|
|  | 2013<br>\$000                    | 2012<br>\$000 |
| <b>Financial assets</b>  |                                  |               |
| Derivative financial instruments – commodity hedging contracts |                                  |               |
| Increase 20.0% (2012: n/a)                                     | (6,569)                          | -             |
| Decrease 20.0% (2012: n/a)                                     | 1,287                            | -             |
|  | (5,282)                          | -             |

The following table summarises the sensitivity of financial instruments held at 30 June 2013 to movements in the zinc price, with all other variables held constant. Trade receivables valuation uses a sensitivity analysis of 1.5% (2012: 1.5%) which is based upon the three month forward commodity rate as there is a four month lag time between delivery and final zinc price received.

| Sensitivity of financial instruments to zinc price movements | Profit after tax<br>Consolidated |               |
|--|----------------------------------|---------------|
|  | 2013<br>\$000                    | 2012<br>\$000 |
| <b>Financial assets</b>                                      |                                  |               |
| Trade receivables  |                                  |               |
| Increase 1.5% (2012: 1.5%)                                   | 94                               | 39            |
| Decrease 1.5% (2012: 1.5%)                                   | (94)                             | (39)          |
|  | -                                | -             |

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Commodity price risk (continued)*

A silver loan was repaid in full during the current financial year, therefore no sensitivity analysis is required at 30 June 2013. The following table summarises the sensitivity of financial instruments held at 30 June 2012 to movements in the silver price, with all other variables held constant. A 20.0% sensitivity rate is used to value financial liabilities in the previous financial year and is based on reasonable assessment of the possible changes.

| Sensitivity of financial instruments to silver price movements | Profit after tax<br>Consolidated |               |
|--|----------------------------------|---------------|
|  | 2013<br>\$000                    | 2012<br>\$000 |
| <b>Financial liabilities</b>                                   |                                  |               |
| Financial liabilities at fair value through profit or loss     |                                  |               |
| Increase 0.0% (2012: 20.0%)                                    | -                                | 678           |
| Decrease 0.0% (2012: 20.0%)                                    | -                                | (678)         |
|  | -                                | -             |

*Equity price risk sensitivity analysis*

The following sensitivity analysis has been determined based on the exposure to equity price risks at the reporting date. Each equity instrument is assessed on its individual price movements with the sensitivity rate based on a reasonably possible change of 45% (2012: 45%). At reporting date, if the equity prices had been higher or lower, net profit for the year would have increased or decreased by \$328,000 (2012: \$1,506,000).

*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:

|                              | Consolidated  |               |
|------------------------------|---------------|---------------|
|                              | 2013<br>\$000 | 2012<br>\$000 |
| <b>Financial assets</b>      |               |               |
| Cash and cash equivalents    | 27,215        | 56,678        |
|                              | 27,215        | 56,678        |
| <b>Financial liabilities</b> |               |               |
| Bank loans                   | 10,000        | -             |
|                              | 10,000        | -             |
| Net exposure                 | 17,215        | 56,678        |

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### *Interest rate risk (continued)*

##### *Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

| Sensitivity of interest revenue and expense to interest rate movements | Profit after tax<br>Consolidated |               |
|--|----------------------------------|---------------|
|  | 2013<br>\$000                    | 2012<br>\$000 |
| <b>Revenue</b>   |                                  |               |
| Interest revenue   |                                  |               |
| Increase 1.0% (2012: 1.0%)   | 57                               | 300           |
| Decrease 1.0% (2012: 1.0%)   | (57)                             | (300)         |
|  | -                                | -             |
| <b>Expense</b>   |                                  |               |
| Interest expense   |                                  |               |
| Increase 1.0% (2012: n/a)  | (70)                             | -             |
| Decrease 1.0% (2012: n/a)  | 70                               | -             |
|  | -                                | -             |

The interest rate on the outstanding lease liabilities is fixed for the term of the lease, therefore there is no exposure to movements in interest rates.

#### **Credit risk**

##### *Nickel sales*

The Group has a concentration of credit risk in that it depends on BHP Billiton Nickel West Pty Ltd for a significant volume of revenue. During the year ended 30 June 2013 all nickel sales revenue was sourced from this company. The risk is mitigated in that the agreement relating to sales revenue contains provision for the Group to seek alternative revenue providers in the event that BHP Billiton Nickel West Pty Ltd is unable to accept supply of the Group's product due to a force majeure event. The risk is 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.

##### *Copper and zinc sales*

Credit risk arising from sales to customers is managed by contracts that stipulate a provisional payment of at least 90% of the estimated value of each sale. This is generally paid promptly after vessel loading. Title to the concentrate does not pass to the buyer until this provisional payment is received by the Group.

Due to the large size of concentrate shipments, there are a relatively small number of transactions each month and therefore each transaction and receivable balance is actively managed on an ongoing basis with attention to timing of customer payments and imposed credit limits. The resulting exposure to bad debts is not considered significant.

##### *Other*

In respect of financial assets and derivative financial instruments, the 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.

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

|                                  | Consolidated |         |
|----------------------------------|--------------|---------|
|                                  | 2013         | 2012    |
|                                  | \$000        | \$000   |
| <b>Financial assets</b>          |              |         |
| Cash and cash equivalents        | 27,215       | 192,678 |
| Trade and other receivables      | 22,463       | 35,656  |
| Other receivables - non-current  | 525          | 475     |
| Financial assets                 | 1,092        | 3,346   |
| Derivative financial instruments | 8,927        | 23,950  |
| Total exposure                   | 60,222       | 256,105 |

On analysis of trade and other receivables, none are past due or impaired for either 30 June 2013 or 30 June 2012.

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial liabilities as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Board monitors liquidity levels on an ongoing basis.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

|                          | Contractual maturities         |                           |                                   | Contractual           | Carrying              |
|--------------------------|--------------------------------|---------------------------|-----------------------------------|-----------------------|-----------------------|
|                          | Less than 6<br>months<br>\$000 | 6 - 12<br>months<br>\$000 | Between<br>1 and 5 years<br>\$000 | value<br>A\$<br>\$000 | value<br>A\$<br>\$000 |
| <b>Consolidated</b>      |                                |                           |                                   |                       |                       |
| <b>2013</b>              |                                |                           |                                   |                       |                       |
| Trade and other payables | 49,798                         | -                         | -                                 | 49,798                | 49,798                |
| Lease liabilities        | 3,694                          | 2,910                     | 4,193                             | 10,797                | 10,048                |
| Bank loans               | -                              | -                         | 10,000                            | 10,000                | 7,506                 |
|                          | 53,492                         | 2,910                     | 14,193                            | 70,595                | 67,352                |
| <b>2012</b>              |                                |                           |                                   |                       |                       |
| Trade and other payables | 56,379                         | -                         | -                                 | 56,379                | 56,379                |
| Lease liabilities        | 7,055                          | 5,772                     | 7,396                             | 20,223                | 18,619                |
|                          | 63,434                         | 5,772                     | 7,396                             | 76,602                | 74,998                |

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

|  | Contractual maturities      |                        |                                | Contractual value | Carrying value |
|--|-----------------------------|------------------------|--------------------------------|-------------------|----------------|
|  | Less than 6 months<br>\$000 | 6 - 12 months<br>\$000 | Between 1 and 5 years<br>\$000 | A\$<br>\$000      | A\$<br>\$000   |
| <b>Consolidated 2013</b>                                   |                             |                        |                                |                   |                |
| Net settled  |                             |                        |                                |                   |                |
| Commodity hedging contracts                                | -                           | 1,910                  | -                              | 1,910             | 1,910          |
|  | -                           | 1,910                  | -                              | 1,910             | 1,910          |
| <b>2012</b>  |                             |                        |                                |                   |                |
| Net settled  |                             |                        |                                |                   |                |
| Commodity hedging contracts                                | 570                         | -                      | -                              | 570               | 570            |
| Financial liabilities at fair value through profit or loss | 2,677                       | 2,141                  | -                              | 4,818             | 4,818          |
|  | 3,247                       | 2,141                  | -                              | 5,388             | 5,388          |

#### Fair values

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

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- 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
- 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 2013 and 30 June 2012.

| At 30 June 2013                    | Level 1<br>\$000 | Level 2<br>\$000 | Level 3<br>\$000 | Total<br>\$000 |
|------------------------------------|------------------|------------------|------------------|----------------|
| <b>Financial assets</b>            |                  |                  |                  |                |
| Derivative instruments             |                  |                  |                  |                |
| Commodity hedging contracts        | -                | 8,927            | -                | 8,927          |
| Listed and unlisted investments    | 1,042            | -                | 50               | 1,092          |
|                                    | 1,042            | 8,927            | 50               | 10,019         |
| <b>Financial liabilities</b>       |                  |                  |                  |                |
| Derivative instruments             |                  |                  |                  |                |
| Foreign exchange hedging contracts | -                | 1,910            | -                | 1,910          |
|                                    | -                | 1,910            | -                | 1,910          |

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Fair values (continued)

| At 30 June 2012  | Level 1<br>\$000 | Level 2<br>\$000 | Level 3<br>\$000 | Total<br>\$000 |
|--|------------------|------------------|------------------|----------------|
| <b>Financial assets</b>                                    |                  |                  |                  |                |
| Derivative instruments                                     |                  |                  |                  |                |
| Commodity hedging contracts                                | -                | 15,065           | -                | 15,065         |
| Foreign exchange hedging contracts                         | -                | 8,885            | -                | 8,885          |
| Listed investments   | 3,346            | -                | -                | 3,346          |
|  | <u>3,346</u>     | <u>23,950</u>    | <u>-</u>         | <u>27,296</u>  |
| <b>Financial liabilities</b>                               |                  |                  |                  |                |
| Derivative instruments                                     |                  |                  |                  |                |
| Commodity hedging contracts                                | -                | 570              | -                | 570            |
| Financial liabilities at fair value through profit or loss | -                | 4,818            | -                | 4,818          |
|  | <u>-</u>         | <u>5,388</u>     | <u>-</u>         | <u>5,388</u>   |

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

#### Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### Trade receivables

The Group estimates the value of trade receivables in accordance with the accounting policy disclosed in note 2(h).

##### Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates.

##### Reserve estimates

Estimates of recoverable quantities of proven and probable reserves include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reserves and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, depletion and amortisation charged to the profit or loss and the calculation of inventory. The Group prepares reserve estimates in accordance with the JORC Code, guidelines prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

##### *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.

##### *Share-based payments*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with the assistance of an external valuer using a trinomial tree. The related assumptions are detailed in note 33. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

#### **5. OPERATING SEGMENTS**

##### **Identification of reportable segments**

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Group operates in predominantly only one geographic segment (ie. Australia) and has identified four operating segments, being the Long Nickel Operation which is disclosed under the Nickel mining segment, the Jaguar/Bentley Operation which is disclosed under the Copper and zinc mining segment, the Tropicana Gold Project, and other regional exploration, scoping studies and feasibility which are disclosed under Feasibility and regional exploration activities.

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

The Jaguar/Bentley Operation primarily produces copper and zinc concentrate. Revenue is derived from a number of different customers. The Registered Manager of the Jaguar/Bentley Operation is responsible for the budgets and expenditure of the operation, responsibility for ore concentrate sales rests with corporate management. The Jaguar/Bentley Operation and exploration properties are owned by the Group's wholly owned subsidiary Jabiru Metals Limited.

The Tropicana Gold Project represents the Group's 30% joint venture interest in the Tropicana Joint Venture. AngloGold Ashanti Australia Limited is the manager of the project and holds the remaining 70% interest. Programs and budgets are provided by AngloGold Ashanti Australia Limited and are considered for approval by the Independence Group NL Board. Construction and development of a gold mine and processing plant has commenced on the joint venture tenure. It is therefore allocated its own segment.

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



5. OPERATING SEGMENTS (continued)

|  | Nickel mining<br>\$000 | Copper and<br>zinc mining<br>\$000 | Tropicana<br>gold project<br>\$000 | Feasibility<br>and<br>regional<br>exploration<br>activities<br>\$000 | Total<br>\$000 |
|--|------------------------|------------------------------------|------------------------------------|--|----------------|
| <b>Year ended 30 June 2013</b>                           |                        |                                    |                                    |  |                |
| <b>Revenue</b>   |                        |                                    |                                    |  |                |
| Sales to external customers                              | 127,175                | 91,579                             | 3,664                              | -  | 222,418        |
| Other revenue  | 486                    | 233                                | -                                  | 4  | 723            |
| <b>Total segment revenue</b>                             | <b>127,661</b>         | <b>91,812</b>                      | <b>3,664</b>                       | <b>4</b>   | <b>223,141</b> |
| Segment net operating profit (loss)<br>before income tax | 40,140                 | 6,986                              | 1,596                              | (5,879)  | 42,843         |
| Segment assets   | 103,126                | 107,053                            | 336,303                            | 174,254  | 720,736        |
| Segment liabilities                                      | 22,490                 | 40,404                             | 22,872                             | 64,408   | 150,174        |
| Acquisition of property, plant and<br>equipment          | 8,503                  | 1,364                              | 2,119                              | 58   | 12,044         |
| Impairment loss before tax                               | 2,572                  | -                                  | -                                  | 3,190  | 5,762          |
| Depreciation and amortisation expense                    | 17,039                 | 6,209                              | 185                                | -  | 23,433         |
| Other non-cash expenses                                  | 45                     | 223                                | -                                  | -  | 268            |
| <b>Year ended 30 June 2012</b>                           |                        |                                    |                                    |  |                |
| <b>Revenue</b>   |                        |                                    |                                    |  |                |
| Sales to external customers                              | 119,096                | 87,609                             | -                                  | -  | 206,705        |
| Other revenue  | 1,777                  | 115                                | -                                  | 8  | 1,900          |
| <b>Total segment revenue</b>                             | <b>120,873</b>         | <b>87,724</b>                      | <b>-</b>                           | <b>8</b>   | <b>208,605</b> |
| Segment net operating profit (loss)<br>before income tax | 44,694                 | (283,728)                          | (1,736)                            | (118,128)  | (358,898)      |
| Segment assets   | 153,815                | 104,798                            | 154,715                            | 159,110  | 572,438        |
| Segment liabilities                                      | 21,361                 | 48,063                             | 17,522                             | 52,738   | 139,684        |
| Acquisition of property, plant and<br>equipment          | 9,631                  | 17,122                             | 291                                | 1,465  | 28,509         |
| Impairment loss before tax                               | 1,139                  | 255,929                            | -                                  | 115,323  | 372,391        |
| Depreciation and amortisation expense                    | 12,198                 | 26,006                             | 136                                | -  | 38,340         |
| Other non-cash expenses                                  | 43                     | 332                                | -                                  | -  | 375            |

5. OPERATING SEGMENTS (continued)

(i) Reconciliation of segment revenue to total revenue

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

|  | Consolidated  |               |
|--|---------------|---------------|
|  | 2013<br>\$000 | 2012<br>\$000 |
| Total segment revenue                    | 223,141       | 208,605       |
| Other revenue from continuing operations | 2,730         | 7,952         |
| Total revenue                            | 225,871       | 216,557       |

Revenues for the nickel mining segment are all derived from a single customer, being BHP Billiton Nickel West Pty Ltd. Revenues for the copper and zinc mining segment were derived from various customers during the year.

Revenues for the Tropicana gold project comprise the movement during the year in the extrinsic value of the gold collar hedging instruments (refer note 25).

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

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

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2013<br>\$000 | 2012<br>\$000 |
| Segment net profit (loss) before tax                                      | 42,843        | (358,898)     |
| Interest revenue on corporate cash balances and other unallocated revenue | 2,730         | 7,952         |
| Unrealised losses on financial assets                                     | (2,196)       | (3,490)       |
| Share-based payments expense  | (3,874)       | (862)         |
| Other corporate costs   | (11,331)      | (14,898)      |
| Net (losses) gains on silver hedge financing                              | (345)         | 1,356         |
| Total net profit (loss) before tax  | 27,827        | (368,840)     |

(iii) Segment assets reconciliation to the balance sheet

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

|  | Consolidated  |               |
|--|---------------|---------------|
|  | 2013<br>\$000 | 2012<br>\$000 |
| Total assets for reportable segments           | 720,736       | 572,438       |
| Intersegment eliminations                      | (60,304)      | (65,000)      |
| <i>Unallocated assets</i>                      |               |               |
| Deferred tax assets                            | 152,261       | 152,620       |
| Listed and unlisted equity securities          | 1,042         | 3,346         |
| Cash and receivables held by the parent entity | 5,452         | 146,559       |
| Office and general plant and equipment         | 2,795         | 2,961         |
| Total assets as per the balance sheet          | 821,982       | 812,924       |

5. OPERATING SEGMENTS (continued)

(iv) Segment liabilities reconciliation to the balance sheet

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

|  | <b>Consolidated</b> |              |
|--|---------------------|--------------|
|  | <b>2013</b>         | <b>2012</b>  |
|  | <b>\$000</b>        | <b>\$000</b> |
| Total liabilities for reportable segments                  | 150,174             | 139,684      |
| Intersegment eliminations                                  | (75,047)            | (59,601)     |
| <i>Unallocated liabilities</i>                             |                     |              |
| Deferred tax liabilities                                   | 75,280              | 70,454       |
| Creditors and accruals                                     | 13,398              | 14,390       |
| Provision for employee entitlements                        | 1,202               | 1,054        |
| Financial liabilities at fair value through profit or loss | -                   | 4,818        |
| Bank loans   | 7,506               | -            |
| Total liabilities as per the balance sheet                 | 172,513             | 170,799      |

6. REVENUE

|                      | <b>Consolidated</b> |              |
|----------------------|---------------------|--------------|
|                      | <b>2013</b>         | <b>2012</b>  |
|                      | <b>\$000</b>        | <b>\$000</b> |
| <b>Sales revenue</b> |                     |              |
| Sale of goods        | 222,418             | 206,705      |
|                      | 222,418             | 206,705      |
| <b>Other revenue</b> |                     |              |
| Interest received    | 3,218               | 9,574        |
| Other revenue        | 235                 | 278          |
|                      | 3,453               | 9,852        |
| <b>Total revenue</b> | 225,871             | 216,557      |

7. OTHER INCOME

|   | <b>Consolidated</b> |              |
|---|---------------------|--------------|
|   | <b>2013</b>         | <b>2012</b>  |
|   | <b>\$000</b>        | <b>\$000</b> |
| Net gain on disposal of property, plant and equipment and other investments | 42                  | -            |
| Net gain on disposal of tenements   | 648                 | -            |
| <b>Total other income</b>   | 690                 | -            |

8. EXPENSES AND LOSSES

|   | <b>Consolidated</b> |              |
|---|---------------------|--------------|
|   | <b>2013</b>         | <b>2012</b>  |
|   | <b>\$000</b>        | <b>\$000</b> |
| <b>Profit (loss) before income tax includes the following specific items:</b> |                     |              |
| Cost of sale of goods   | 144,672             | 150,526      |
| Share-based payments expense  | 3,874               | 862          |
| Employee benefits expense   | 54,659              | 51,636       |
| Finance costs – other entities  | 1,356               | 1,413        |
| Exploration costs expensed  | 2,667               | 2,813        |
| Rental expense relating to operating leases                                   | 1,190               | 1,218        |
| Rehabilitation and restoration borrowing costs                                | 268                 | 375          |
| Impairment of inventories   | -                   | 21           |
| Amortisation expense  | 11,466              | 20,057       |
| Depreciation expense  | 13,847              | 19,358       |
| Less : Amounts capitalised  | (863)               | (184)        |
| Depreciation expensed   | 12,984              | 19,174       |
| Impairment of exploration and evaluation expenditure                          | 5,762               | 116,462      |
| Impairment of goodwill and other assets                                       | -                   | 255,929      |
| Net loss on sale of property, plant and equipment and other investments       | -                   | 490          |

9. INCOME TAX

|  | Consolidated  |               |
|--|---------------|---------------|
|  | 2013<br>\$000 | 2012<br>\$000 |
| <b>(a) Income tax benefit (expense)</b>  |               |               |
| The major components of income tax expense are:  |               |               |
| Deferred income tax (expense) benefit  | (9,539)       | 83,548        |
| Income tax (expense) benefit   | (9,539)       | 83,548        |
| Deferred tax income (expense) included in income tax expense comprises:  |               |               |
| Increase (decrease) in deferred tax assets   | (359)         | 40,557        |
| (Increase) decrease in deferred tax liabilities  | (9,180)       | 42,991        |
|  | (9,539)       | 83,548        |
| <b>(b) Amount charged or credited directly to equity</b>   |               |               |
| Deferred income tax income (expense) related to items charged or credited to other comprehensive income                |               |               |
| Recognition of hedge contracts   | 4,354         | (3,118)       |
| Business-related capital allowances  | -             | 643           |
| Income tax expense reported in equity  | 4,354         | (2,475)       |
| <b>(c) Numerical reconciliation of income tax expense and tax expense calculated per the statutory income tax rate</b> |               |               |
| Profit (loss) before tax from continuing operations  | 27,827        | (368,840)     |
| At the Group's statutory income tax rate of 30% (2012: 30%)  | (8,348)       | 110,652       |
| Costs booked directly in equity  | -             | 677           |
| Non-deductible costs associated with acquisition of subsidiary   | -             | (110)         |
| Impairment of goodwill   | -             | (27,320)      |
| Other non-deductible items   | (1,197)       | (268)         |
| Adjustments for current tax of prior periods   | 6             | (83)          |
| Aggregate income tax (expense) benefit   | (9,539)       | 83,548        |

9. INCOME TAX (continued)

(d) Deferred tax assets and liabilities

|   | Balance Sheet |               | Profit or loss |               | Equity        |               |
|---|---------------|---------------|----------------|---------------|---------------|---------------|
|   | 2013<br>\$000 | 2012<br>\$000 | 2013<br>\$000  | 2012<br>\$000 | 2013<br>\$000 | 2012<br>\$000 |
| <b>Consolidated</b>   |               |               |                |               |               |               |
| <b>Deferred tax liabilities</b>                               |               |               |                |               |               |               |
| Capitalised exploration, pre-production and acquisition costs | (57,877)      | (55,968)      | 1,909          | (20,542)      | -             | -             |
| Capitalised development expenditure                           | (11,654)      | (3,810)       | 7,844          | (22,915)      | -             | -             |
| Deferred gains and losses on hedging contracts                | (2,678)       | (7,185)       | (153)          | (1,368)       | (4,354)       | 3,118         |
| Trade debtors   | (1,497)       | (2,481)       | (984)          | 2,481         | -             | -             |
| Other   | (1,574)       | (1,010)       | 564            | (647)         | -             | -             |
| Gross deferred tax liabilities                                | (75,280)      | (70,454)      | 9,180          | (42,991)      | (4,354)       | 3,118         |
| <b>Deferred tax assets</b>                                    |               |               |                |               |               |               |
| Property, plant and equipment                                 | 26,668        | 31,502        | 4,834          | (11,251)      | -             | -             |
| Deferred losses on hedged commodity contracts                 | 1,884         | 171           | (1,713)        | 4,324         | -             | -             |
| Capitalised development expenditure                           | 2,312         | 12,035        | 9,723          | (12,035)      | -             | -             |
| Consumable inventories  | 566           | 738           | 172            | 425           | -             | -             |
| Business-related capital allowances                           | 2,598         | 3,980         | 1,382          | 809           | -             | (643)         |
| Provision for employee entitlements                           | 1,917         | 1,719         | (198)          | 164           | -             | -             |
| Provision for rehabilitation                                  | 6,208         | 3,913         | (2,295)        | (1,154)       | -             | -             |
| Mining information  | 11,376        | 11,376        | -              | -             | -             | -             |
| Carry forward tax losses                                      | 97,257        | 85,661        | (11,596)       | (22,173)      | -             | -             |
| Other   | 1,475         | 1,525         | 50             | 334           | -             | -             |
| Gross deferred tax assets                                     | 152,261       | 152,620       | 359            | (40,557)      | -             | (643)         |
| Deferred tax expense (income)                                 | 76,981        | 82,166        | 9,539          | (83,548)      | (4,354)       | 2,475         |

## 9. INCOME TAX (continued)

### (e) Tax consolidation

#### (i) Members of the tax consolidated group and the tax sharing arrangement

Independence Group NL and its wholly owned subsidiaries formed a tax consolidated group with effect from 1 July 2002. Independence Group NL is the head entity of the tax consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the "separate tax payer within group" approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company, as head entity in the tax consolidated group.

Due to the existence of a tax funding arrangement between entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax consolidated group in accordance with the arrangement.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

## 10. DIVIDENDS PAID AND PROPOSED

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2013<br>\$000 | 2012<br>\$000 |
| <b>(a) Ordinary shares</b>  |               |               |
| Final dividend for the year ended 30 June 2012 of 1 cent (2011: 3 cents) per fully paid share   | 2,329         | 6,087         |
| Interim dividend for the year ended 30 June 2013 of 1 cent (2012: 2 cents) per fully paid share   | 2,329         | 4,658         |
| Total dividends paid during the financial year  | 4,658         | 10,745        |
| <b>(b) Unrecognised amounts</b>   |               |               |
| In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 1 cent (2012: 1 cent) per fully paid share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 27 September 2013 out of retained earnings at 30 June 2013, but not recognised as a liability at year end is: | 2,333         | 2,329         |

### (c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2013 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2014.

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2013<br>\$000 | 2012<br>\$000 |
| Franking credits available for subsequent financial year based on a tax rate of 30% (2012: 30%) | 62,884        | 64,882        |

The above amounts represent the balance of the franking account at the end of the reporting period, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the Directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of \$1,000,000 (2012: \$998,000).



## 11. EARNINGS PER SHARE

The following reflects the income used in the basic and diluted earnings per share computations:

### (a) Earnings used in calculating earnings per share

Profit (loss) used in calculating basic and diluted earnings per share attributable to ordinary equity holders of the parent is a profit of \$18,288,000 (2012: loss of \$285,292,000).

### (b) Weighted average number of shares

|  | 2013<br>Number of shares | 2012<br>Number of shares |
|--|--------------------------|--------------------------|
| Weighted average number of ordinary shares for basic earnings per share        | 232,882,535              | 218,661,089              |
| Effect of dilution:  |                          |                          |
| Share rights   | 1,902,035                | -                        |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 234,784,570              | 218,661,089              |

### (c) Information on the classification of securities

#### Share rights

There are share rights included in the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future. The share rights were not included in the calculation of diluted earnings per share in the prior period because they were anti-dilutive.

## 12. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

|                          | Consolidated  |               |
|--------------------------|---------------|---------------|
|                          | 2013<br>\$000 | 2012<br>\$000 |
| Cash at bank and in hand | 26,039        | 37,916        |
| Deposits at call         | 1,176         | 18,762        |
| Fixed term deposits      | -             | 136,000       |
|                          | 27,215        | 192,678       |

The Group has an amount of \$469,000 (2012: \$11,423,000) in cash balances not generally available for use as it is subject to security with respect to government performance bonds and other guarantees issued by a financier.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 3.

### 13. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

|                   | Consolidated  |               |
|-------------------|---------------|---------------|
|                   | 2013<br>\$000 | 2012<br>\$000 |
| Trade receivables | 12,839        | 30,519        |
| GST receivable    | 5,117         | 1,987         |
| Sundry debtors    | 4,507         | 3,150         |
| Prepayments       | 1,696         | 23,141        |
|                   | 24,159        | 58,797        |

No balances within trade and other receivables contain impaired assets nor are past due. It is expected that these balances will be received when due.

The Group's exposure to credit risk, foreign exchange and commodity price risk in relation to trade receivables is disclosed in note 3.

### 14. CURRENT ASSETS – INVENTORIES

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2013<br>\$000 | 2012<br>\$000 |
| Mine spares and stores – at cost                | 9,664         | 9,332         |
| ROM inventory – at cost                         | 1,632         | 341           |
| Concentrate inventory – at cost                 | 5,361         | 4,211         |
| Concentrate inventory – at net realisable value | 6,103         | 2,902         |
|   | 22,760        | 16,786        |

There were no impairment charges to inventories recognised as an expense for the year ended 30 June 2013 (2012: \$21,000). This expense was included in mining and development costs in 2012.

### 15. CURRENT ASSETS – FINANCIAL ASSETS

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2013<br>\$000 | 2012<br>\$000 |
| Shares in Australian listed and unlisted companies - at fair value through profit or loss | 1,092         | 3,346         |
|   | 1,092         | 3,346         |

The shares in Australian listed companies are valued at fair value through profit or loss and are all held for trading. Changes in the fair values of these financial assets are recognised in the profit or loss and are valued using market prices at year end.

The Group's exposure to price risk and a sensitivity analysis for financial assets are disclosed in note 3.

### 16. NON-CURRENT ASSETS – RECEIVABLES

|               | Consolidated  |               |
|---------------|---------------|---------------|
|               | 2013<br>\$000 | 2012<br>\$000 |
| Term deposits | 525           | 475           |
| Prepayments   | 79            | -             |
|               | 604           | 475           |

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

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

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2013<br>\$000 | 2012<br>\$000 |
| Buildings - at cost                               | 17,577        | 17,706        |
| Accumulated depreciation and impairment           | (9,786)       | (8,079)       |
| Net carrying amount                               | 7,791         | 9,627         |
| <br>  |               |               |
| Mining plant under construction - at cost         | 2,362         | 2,102         |
| Net carrying amount                               | 2,362         | 2,102         |
| <br>  |               |               |
| Mining plant and equipment - at cost              | 88,602        | 89,281        |
| Accumulated depreciation and impairment           | (75,159)      | (74,477)      |
| Net carrying amount                               | 13,443        | 14,804        |
| <br>  |               |               |
| Motor vehicles - at cost                          | 14,033        | 5,879         |
| Accumulated depreciation and impairment           | (12,303)      | (4,735)       |
| Net carrying amount                               | 1,730         | 1,144         |
| <br>  |               |               |
| Furniture, fittings and other equipment - at cost | 6,590         | 5,632         |
| Accumulated depreciation and impairment           | (3,322)       | (3,810)       |
| Net carrying amount                               | 3,268         | 1,822         |
| <br>  |               |               |
| Leased assets                                     | 20,266        | 24,128        |
| Accumulated depreciation and impairment           | (12,582)      | (16,454)      |
| Net carrying amount                               | 7,684         | 7,674         |
| <br>  |               |               |
| Total net carrying amount                         | 36,278        | 37,173        |

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

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2013<br>\$000 | 2012<br>\$000 |
| <b>(a) Reconciliation of the carrying amounts at the beginning and end of the period</b>  |               |               |
| Reconciliations of the carrying amount for each class of property, plant and equipment at the beginning and end of the financial year are as follows: |               |               |
| <b>Buildings</b>  |               |               |
| Carrying amount at beginning of financial year  | 9,627         | 13,947        |
| Additions   | -             | 2,038         |
| Transfers   | 146           | 1,142         |
| Disposals   | -             | (356)         |
| Impairment  | -             | (4,488)       |
| Depreciation expense  | (1,982)       | (2,656)       |
| Carrying amount at end of financial year  | 7,791         | 9,627         |
| <b>Mining plant under construction</b>  |               |               |
| Carrying amount at beginning of financial year  | 2,102         | 11,191        |
| Additions   | 2,136         | 1,977         |
| Transfers   | (1,876)       | (11,066)      |
| Carrying amount at end of financial year  | 2,362         | 2,102         |
| <b>Mining plant and equipment</b>   |               |               |
| Carrying amount at beginning of financial year  | 14,804        | 42,139        |
| Additions   | 3,903         | 13,165        |
| Transfers   | 852           | 8,355         |
| Disposals   | -             | (64)          |
| Impairment  | -             | (38,929)      |
| Depreciation expense  | (6,116)       | (9,862)       |
| Carrying amount at end of financial year  | 13,443        | 14,804        |
| <b>Motor vehicles</b>   |               |               |
| Carrying amount at beginning of financial year  | 1,144         | 2,051         |
| Additions   | 965           | 1,117         |
| Transfers   | 478           | 466           |
| Disposals   | (25)          | (204)         |
| Impairment  | -             | (1,646)       |
| Depreciation expense  | (832)         | (640)         |
| Carrying amount at end of financial year  | 1,730         | 1,144         |

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

|  | Consolidated  |               |
|--|---------------|---------------|
|  | 2013<br>\$000 | 2012<br>\$000 |
| <b>Furniture, fittings and other equipment</b> |               |               |
| Carrying amount at beginning of financial year | 1,822         | 3,057         |
| Additions                                      | 1,861         | 1,445         |
| Transfers                                      | 762           | (840)         |
| Disposals                                      | (7)           | (104)         |
| Impairment                                     | -             | (878)         |
| Depreciation expense                           | (1,170)       | (858)         |
| Carrying amount at end of financial year       | 3,268         | 1,822         |
| <b>Leased assets</b>                           |               |               |
| Carrying amount at beginning of financial year | 7,674         | 13,870        |
| Additions                                      | 3,762         | 10,978        |
| Transfers                                      | -             | (335)         |
| Disposals                                      | (5)           | (390)         |
| Impairment                                     | -             | (11,107)      |
| Depreciation expense                           | (3,747)       | (5,342)       |
| Carrying amount at end of financial year       | 7,684         | 7,674         |
| <b>Total property, plant and equipment</b>     |               |               |
| Carrying amount at beginning of financial year | 37,173        | 86,255        |
| Additions                                      | 12,627        | 30,720        |
| Transfers from mine properties in development  | 1,095         | -             |
| Transfers to mine properties in production     | (733)         | (2,278)       |
| Disposals                                      | (37)          | (1,118)       |
| Impairment charge                              | -             | (57,048)      |
| Depreciation expense                           | (13,847)      | (19,358)      |
| Carrying amount at end of financial year       | 36,278        | 37,173        |

**(b) Non-current assets pledged as security**

Refer to note 27 for information on non-current assets pledged as security by the Group.

18. NON-CURRENT ASSETS – MINE PROPERTIES

|                                | <b>Consolidated</b> |              |
|--------------------------------|---------------------|--------------|
|                                | <b>2013</b>         | <b>2012</b>  |
|                                | <b>\$000</b>        | <b>\$000</b> |
| Mine properties in development | 258,778             | 59,609       |
| Mine properties in production  | 90,337              | 63,665       |
|                                | 349,115             | 123,274      |

Reconciliations of the carrying amounts at the beginning and end of the financial year are as follows:

**Mine properties in development**

|   |         |          |
|---|---------|----------|
| Carrying amount at beginning of financial year        | 59,609  | 89,770   |
| Additions   | 167,484 | 51,747   |
| Transfers from exploration and evaluation expenditure | 32,708  | -        |
| Transfers to property, plant and equipment            | (1,095) | -        |
| Transfers to mine properties in production            | -       | (81,908) |
| Borrowing costs capitalised                           | 72      | -        |
| Carrying amount at end of financial year              | 258,778 | 59,609   |

**Mine properties in production**

|   |          |           |
|---|----------|-----------|
| Carrying amount at beginning of financial year        | 63,665   | 73,920    |
| Additions   | 34,162   | 28,417    |
| Transfers from exploration and evaluation expenditure | 3,061    | 4,716     |
| Transfers from mine properties in development         | -        | 81,908    |
| Transfers from property, plant and equipment          | 733      | 2,278     |
| Disposals   | (93)     | -         |
| Impairment charge                                     | -        | (107,816) |
| Amortisation expense                                  | (11,191) | (19,758)  |
| Carrying amount at end of financial year              | 90,337   | 63,665    |

19. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION EXPENDITURE

|                                  | <b>Consolidated</b> |              |
|----------------------------------|---------------------|--------------|
|                                  | <b>2013</b>         | <b>2012</b>  |
|                                  | <b>\$000</b>        | <b>\$000</b> |
| Exploration and evaluation costs | 199,392             | 203,371      |
|                                  | 199,392             | 203,371      |

Reconciliations of the carrying amounts at the beginning and end of the financial year are as follows:

|  |          |           |
|--|----------|-----------|
| Carrying amount at beginning of financial year | 203,371  | 269,333   |
| Additions                                      | 37,759   | 55,216    |
| Transfers to mine properties in production     | (3,061)  | (4,716)   |
| Transfers to mine properties in development    | (32,708) | -         |
| Impairment charge                              | (5,762)  | (116,462) |
| Disposals                                      | (207)    | -         |
| Carrying amount at end of financial year       | 199,392  | 203,371   |

20. NON-CURRENT ASSETS – INTANGIBLE ASSETS

|   | Goodwill<br>\$000 | Consolidated<br>Database<br>\$000 | Total<br>\$000 |
|---|-------------------|-----------------------------------|----------------|
| <b>At 1 July 2011</b>                   |                   |                                   |                |
| Cost                                    | 91,065            | 1,378                             | 92,443         |
| Accumulated amortisation                | -                 | (625)                             | (625)          |
| Net book amount                         | 91,065            | 753                               | 91,818         |
| <b>Year ended 30 June 2012</b>          |                   |                                   |                |
| Opening net book amount                 | 91,065            | 753                               | 91,818         |
| Impairment charge                       | (91,065)          | -                                 | (91,065)       |
| Amortisation expense                    | -                 | (299)                             | (299)          |
| Closing net book amount                 | -                 | 454                               | 454            |
| <b>At 30 June 2012</b>                  |                   |                                   |                |
| Cost                                    | 91,065            | 1,378                             | 92,443         |
| Accumulated amortisation                | (91,065)          | (924)                             | (91,989)       |
| Net book amount                         | -                 | 454                               | 454            |
| <b>Year ended 30 June 2013</b>          |                   |                                   |                |
| Opening net book amount                 | -                 | 454                               | 454            |
| Amortisation expense                    | -                 | (275)                             | (275)          |
| Closing net book amount                 | -                 | 179                               | 179            |
| <b>At 30 June 2013</b>                  |                   |                                   |                |
| Cost                                    | 91,065            | 1,378                             | 92,443         |
| Accumulated amortisation and impairment | (91,065)          | (1,199)                           | (92,264)       |
| Net book amount                         | -                 | 179                               | 179            |



## 21. IMPAIRMENTS

### *Goodwill and other assets*

Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired. Goodwill is allocated to the Company's cash generating units (CGU's) for impairment testing purposes. The Company currently records no amount of goodwill.

In assessing whether an impairment is ultimately required, the carrying value of a CGU's assets are compared to the recoverable amount. The recoverable amount is the higher of fair value less costs to sell of the CGU and its value in use. During the previous financial year, the Company determined that an impairment loss of \$255,929,000 was required in relation to its acquisition of Jabiru Metals Limited in April 2011. The following table outlines the classes of assets that were affected by the impairment loss during that period:

|                               | <b>Consolidated</b> |              |
|-------------------------------|---------------------|--------------|
|                               | <b>2013</b>         | <b>2012</b>  |
|                               | <b>\$000</b>        | <b>\$000</b> |
| Mine properties               | -                   | 107,816      |
| Property, plant and equipment | -                   | 57,048       |
| Goodwill                      | -                   | 91,065       |
|                               | -                   | 255,929      |

### *Exploration and evaluation expenditure*

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Management regularly evaluates the recoverability of exploration and evaluation assets. Consistent with the triggers that led to the impairment of goodwill and other assets in the previous financial year (including unfavourable commodity prices and foreign exchange rates), the Company has impaired the following capitalised exploration and evaluation costs:

|                                   | <b>Consolidated</b> |              |
|-----------------------------------|---------------------|--------------|
|                                   | <b>2013</b>         | <b>2012</b>  |
|                                   | <b>\$000</b>        | <b>\$000</b> |
| Jaguar regional exploration costs | -                   | 36,829       |
| Stockman exploration costs        | -                   | 56,402       |
| Other exploration costs           | 5,762               | 23,231       |
|                                   | 5,762               | 116,462      |

## 22. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

|                       | <b>Consolidated</b> |              |
|-----------------------|---------------------|--------------|
|                       | <b>2013</b>         | <b>2012</b>  |
|                       | <b>\$000</b>        | <b>\$000</b> |
| Trade payables        | 7,368               | 11,591       |
| Other payables        | 42,430              | 44,788       |
| Employee entitlements | 3,801               | 3,950        |
|                       | 53,599              | 60,329       |

## 23. CURRENT LIABILITIES – PROVISIONS

|                                     | <b>Consolidated</b> |              |
|-------------------------------------|---------------------|--------------|
|                                     | <b>2013</b>         | <b>2012</b>  |
|                                     | <b>\$000</b>        | <b>\$000</b> |
| Provision for employee entitlements | 2,446               | 1,260        |
|                                     | 2,446               | 1,260        |

## 24. NON-CURRENT LIABILITIES – PROVISIONS

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2013<br>\$000 | 2012<br>\$000 |
| Provision for employee entitlements   | 1,030         | 1,704         |
| Provision for rehabilitation costs (i)  | 20,694        | 13,045        |
|   | 21,724        | 14,749        |
| <br>(i) Movements in the provision for rehabilitation costs during the year are as follows: |               |               |
| Carrying amount at beginning of financial year  | 13,045        | 9,195         |
| Additional provision  | 7,381         | 3,475         |
| Rehabilitation and restoration borrowing costs expense                                      | 268           | 375           |
| Carrying amount at end of financial year  | 20,694        | 13,045        |

### Rehabilitation provision

A provision for restoration is recognised in relation to mining activities for such costs as reclamation, waste site closure, plant closure and other costs associated with the restoration of the mining sites.

## 25. DERIVATIVE FINANCIAL INSTRUMENTS

|  | Consolidated  |               |
|--|---------------|---------------|
|  | 2013<br>\$000 | 2012<br>\$000 |
| <b>Current assets</b>  |               |               |
| Commodity hedging contracts – at fair value through profit or loss | -             | 3,815         |
| Commodity hedging contracts – cash flow hedges                     | 6,946         | 11,250        |
| Foreign currency contracts – at fair value through profit or loss  | -             | 2,398         |
| Foreign currency contracts – cash flow hedges                      | -             | 6,487         |
|  | 6,946         | 23,950        |
| <br><b>Current liabilities</b>                                     |               |               |
| Commodity hedging contracts – at fair value through profit or loss | -             | 570           |
| Commodity hedging contracts – cash flow hedges                     | 1,910         | -             |
|  | 1,910         | 570           |
| <br><b>Non-current assets</b>                                      |               |               |
| Commodity hedging contracts – cash flow hedges                     | 1,981         | -             |
|  | 1,981         | -             |

### (a) Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates and commodity prices.

The fair value of the derivative instruments at the reporting date is reflected in current and non-current assets and liabilities in the 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 3 and below for details of the foreign currency and commodity prices risk being mitigated by the Group's derivative instruments as at 30 June 2013 and 30 June 2012.

## 25. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

### Cash flow hedges

At 30 June 2013, the Group held various nickel commodity contracts designated as hedges of expected future nickel sales. These hedge contracts are in US dollars. Foreign exchange contracts are also held which match the terms of the commodity contracts. These contracts are all designated as cash flow hedges and are used to reduce the exposure to a future decrease in the Australian dollar market value of nickel sales.

The outstanding contracts held by the Group at 30 June 2013 are as follows:

| Year of delivery | Sell (Nickel tonnes) | USD/tonne | Exchange rate | AUD/tonne |
|------------------|----------------------|-----------|---------------|-----------|
| 2013/14          | 1,000                | 18,676    | 0.9881        | 18,900    |
| Total            | 1,000                | 18,676    | 0.9881        | 18,900    |

The hedge contracts are to be settled at the rate of 200 tonnes per month from February to June 2014. The hedge contracts have been marked to market as at 30 June 2013 and the resulting surplus/deficit compared to market value (net of tax) is reflected in the hedging reserve in the consolidated balance sheet. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the profit or loss by the related amount deferred in equity.

The forecasted transaction is expected to occur three months prior to the maturity of its respective commodity and foreign exchange contracts.

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

### Sell USD forward

|               | Notional amounts (US\$) |        | Weighted average A\$:US\$ exchange rate |        | Fair value |       |
|---------------|-------------------------|--------|---|--------|------------|-------|
|               | 2013                    | 2012   | 2013                                    | 2012   | 2013       | 2012  |
|               | \$000                   | \$000  |   |        | \$000      | \$000 |
| 0 – 3 months  | -                       | 13,940 | -                                       | 0.8659 | -          | 2,398 |
| 3 – 6 months  | -                       | 13,940 | -                                       | 0.8659 | -          | 2,273 |
| 6 – 12 months | 18,676                  | 27,880 | 0.9881                                  | 0.8659 | (1,910)    | 4,214 |
| Total         | 18,676                  | 55,760 | 0.9881                                  | 0.8659 | (1,910)    | 8,885 |

### Gold

Gold collar structures (i.e. purchased put and sold call) – have been designated as hedges of expected future gold sales and have been designated as cash flow hedges. These comprise:

|                                     | Ounces of metal |      | Weighted average price (A\$/ounce) |      | Fair value |       |
|-------------------------------------|-----------------|------|------------------------------------|------|------------|-------|
|                                     | 2013            | 2012 | 2013                               | 2012 | 2013       | 2012  |
|                                     |                 |      |                                    |      | \$000      | \$000 |
| 6 – 12 months                       |                 |      |                                    |      |            |       |
| Gold put options purchased          | 33,000          | -    | 1,300                              | -    | 2,339      | -     |
| Gold call options sold              | 33,000          | -    | 1,728                              | -    | (657)      | -     |
| 12 – 18 months                      |                 |      |                                    |      |            |       |
| Gold put options purchased          | 33,000          | -    | 1,300                              | -    | 3,274      | -     |
| Gold call options sold              | 33,000          | -    | 1,803                              | -    | (1,293)    | -     |
| Total/weighted average strike price |                 |      |                                    |      |            |       |
| Gold put options purchased          | 66,000          | -    | 1,300                              | -    | 5,613      | -     |
| Gold call options sold              | 66,000          | -    | 1,766                              | -    | (1,950)    | -     |

The fair value of the gold collars outstanding at balance date is comprised exclusively of the extrinsic value (time value) of the option.

## 25. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

### *Derivatives at fair value through profit or loss*

In addition to the above, the Group also previously had a number of derivative financial instruments outstanding which were designated as derivatives at fair value through profit or loss. These contracts did not qualify as cash flow hedges and therefore the fair value marked to market adjustments on these contracts was recorded directly in the profit or loss for the period. There were no such contracts outstanding at 30 June 2013. Details of commodity derivatives at fair value through profit or loss outstanding as at the reporting date are summarised below.

### Commodity derivatives – at fair value through profit or loss

#### Copper

US dollar forward copper sales contracts – at fair value through profit or loss at the reporting date were as follows:

|              | Tonnes of metal |       | Weighted average price<br>(US\$/metric tonne) |       | Fair value    |               |
|--------------|-----------------|-------|---|-------|---------------|---------------|
|              | 2013            | 2012  | 2013  | 2012  | 2013<br>\$000 | 2012<br>\$000 |
| 0 – 6 months | -               | 2,200 | -   | 7,423 | -             | (570)         |
| Total        | -               | 2,200 | -   | 7,423 | -             | (570)         |

## 26. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2013<br>\$000 | 2012<br>\$000 |
| <b>Current liabilities</b>                                    |               |               |
| Silver hedge financing – at fair value through profit or loss | -             | 4,818         |
|   | -             | 4,818         |

At the previous reporting date, a wholly-owned subsidiary of the Group had amounts outstanding under a prepaid silver swap. Under the terms of the swap, the subsidiary received an up-front cash payment in return for forward sales of silver over the period to June 2013. At 30 June 2013, there was no silver outstanding under the contract (2012: 180,000 ounces).

The USD forward silver sales contracts outstanding at 30 June 2013 and 30 June 2012 are as follows:

|               | Ounces of metal |         | Weighted average price<br>(US\$/ounce) |       | Fair value    |               |
|---------------|-----------------|---------|--|-------|---------------|---------------|
|               | 2013            | 2012    | 2013                                   | 2012  | 2013<br>\$000 | 2012<br>\$000 |
| 0 – 6 months  | -               | 100,000 | -                                      | 27.83 | -             | 2,677         |
| 6 – 12 months | -               | 80,000  | -                                      | 27.83 | -             | 2,141         |
| Total         | -               | 180,000 | -                                      | 27.83 | -             | 4,818         |

## 27. BORROWINGS

|                           | Consolidated  |               |
|---------------------------|---------------|---------------|
|                           | 2013<br>\$000 | 2012<br>\$000 |
| <b>Current</b>            |               |               |
| <i>Secured</i>            |               |               |
| Lease liability (note 34) | 6,030         | 11,685        |
|                           | 6,030         | 11,685        |
| <b>Non-current</b>        |               |               |
| <i>Secured</i>            |               |               |
| Bank loans (a)            | 7,506         | -             |
| Lease liability (note 34) | 4,018         | 6,934         |
|                           | 11,524        | 6,934         |

### (a) Corporate loan facility

On 1 March 2013, the Company entered into a Corporate Loan Facility (Facility) with National Australia Bank. The Facility comprises a corporate debt facility of \$130,000,000, an asset finance facility of \$20,000,000 and a contingent instrument facility of \$20,000,000.

Total capitalised transaction costs to 30 June 2013 are \$2,504,000. 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. The balance of unamortised transaction costs of \$2,494,000 have been offset against the bank loans contractual liability of \$10,000,000 at 30 June 2013.

Borrowing costs of \$72,000 (2012: \$nil) relate to a qualifying asset (Tropicana Gold Project) and have been capitalised in accordance with AASB 123 *Borrowing Costs*. Refer to note 18.

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

In addition to the above Facility, the Group has an additional asset finance facility with ANZ of \$20,000,000.

### (b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk are disclosed in note 3.

### (c) Assets pledged as security

The carrying amount of assets pledged as security for non-current borrowings is \$10,000,000. The security is provided under a General Security Agreement (GSA) and is on arm's length commercial terms with the financier.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

In addition to the above, \$15,249,000 is pledged as security in relation to the contingent instrument facility.

## 27. BORROWINGS (continued)

### (d) Financing arrangements

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

|   | Consolidated   |               |
|---|----------------|---------------|
|   | 2013<br>\$000  | 2012<br>\$000 |
| <b>Total facilities</b>                       |                |               |
| Corporate debt facility                       | 130,000        | -             |
| Asset finance facility                        | 40,000         | 35,000        |
| Contingent instrument facility <sup>1</sup>   | 20,000         | 16,000        |
|   | <u>190,000</u> | <u>51,000</u> |
| <b>Facilities used as at reporting date</b>   |                |               |
| Corporate debt facility                       | 10,000         | -             |
| Asset finance facility                        | 9,691          | 18,619        |
| Contingent instrument facility                | 15,249         | 13,911        |
|   | <u>34,940</u>  | <u>32,530</u> |
| <b>Facilities unused as at reporting date</b> |                |               |
| Corporate debt facility                       | 120,000        | -             |
| Asset finance facility                        | 30,309         | 16,381        |
| Contingent instrument facility                | 4,751          | 2,089         |
|   | <u>155,060</u> | <u>18,470</u> |

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

## 28. CONTRIBUTED EQUITY

|                           | Consolidated  |               |
|---------------------------|---------------|---------------|
|                           | 2013<br>\$000 | 2012<br>\$000 |
| Fully paid issued capital | 734,007       | 734,007       |

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

| Movements in shares on issue           | 2013               | 2013           | 2012               | 2012           |
|--|--------------------|----------------|--------------------|----------------|
|  | No. of shares      | \$000          | No. of shares      | \$000          |
| Balance at beginning of financial year | 232,882,535        | 734,007        | 202,907,135        | 617,860        |
| Issued during the year:                |                    |                |                    |                |
| - share placement and rights issue     | -                  | -              | 29,975,400         | 119,902        |
| - transaction costs, net of tax        | -                  | -              | -                  | (3,755)        |
| Balance at end of financial year       | <u>232,882,535</u> | <u>734,007</u> | <u>232,882,535</u> | <u>734,007</u> |

### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

Operating cash flows are used to maintain and expand the Group's operating and exploration assets, as well as to make dividend payments. The Board and management assess various financial ratios to determine the Group's debt levels and capital structure prior to making any major investment or expansion decisions.

None of the Group's entities are currently subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year.

29. RESERVES AND RETAINED EARNINGS

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2013<br>\$000 | 2012<br>\$000 |
| <b>(a) Reserves</b>                               |               |               |
| Share-based payments reserve                      | 8,793         | 4,919         |
| Hedging reserve                                   | 2,397         | 12,557        |
| Acquisition reserve                               | 3,142         | 3,142         |
|   | 14,332        | 20,618        |
| <b>Movements</b>                                  |               |               |
| <i>Share-based payments reserve</i>               |               |               |
| Balance at beginning of financial year            | 4,919         | 4,057         |
| Share-based payments expense                      | 3,874         | 862           |
| Balance at end of financial year                  | 8,793         | 4,919         |
| <i>Hedging reserve</i>                            |               |               |
| Balance at beginning of financial year            | 12,557        | 5,284         |
| Revaluation – gross                               | (4,250)       | 21,971        |
| Deferred tax                                      | 1,275         | (6,592)       |
| Transfer to net profit – gross                    | (10,264)      | (11,580)      |
| Deferred tax                                      | 3,079         | 3,474         |
| Balance at end of financial year                  | 2,397         | 12,557        |
| <i>Acquisition reserve</i>                        |               |               |
| Balance at beginning of financial year            | 3,142         | 3,142         |
| Balance at end of financial year                  | 3,142         | 3,142         |
| <b>(b) (Accumulated losses) retained earnings</b> |               |               |
| Balance at beginning of financial year            | (112,500)     | 183,537       |
| Net profit (loss) for the year                    | 18,288        | (285,292)     |
| Dividends paid during the year                    | (4,658)       | (10,745)      |
| Balance at end of financial year                  | (98,870)      | (112,500)     |

**(c) Nature and purpose of reserves**

*Share-based payments reserve*

The share-based payments reserve is used to record the value of share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to note 33 for further details of these plans.

*Hedging reserve*

The hedging reserve is used to record gains or losses on a hedged instrument in a cash flow hedge that are recognised directly in equity. Amounts are recognised in profit or loss when the associated hedged item occurs.

*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.



### 30. CASH FLOW STATEMENT RECONCILIATION

|   | <b>Consolidated</b> |               |
|---|---------------------|---------------|
|   | <b>2013</b>         | <b>2012</b>   |
|   | <b>\$000</b>        | <b>\$000</b>  |
| Net profit (loss) for the year  | 18,288              | (285,292)     |
| <i>Adjustments for:</i>   |                     |               |
| Depreciation and amortisation   | 24,450              | 39,231        |
| Impairment of exploration and evaluation expenditure                                | 5,762               | 116,462       |
| (Gain) loss on disposal of property, plant and equipment and other investments      | (690)               | 490           |
| Devaluation of investments in listed entities                                       | 2,196               | 3,490         |
| Interest income   | (3,547)             | (11,422)      |
| Employee share-based payment expenses   | 3,874               | 862           |
| Unrealised gains on financial liabilities   | 345                 | (1,356)       |
| Unrealised loss (gain) on changes in fair value of derivative financial instruments | 1,849               | (2,764)       |
| Impairment of goodwill and other assets   | -                   | 255,929       |
| Amortisation of lease incentive liability   | (38)                | (55)          |
| <i>Changes in operating assets and liabilities</i>                                  |                     |               |
| (Increase)/decrease in trade debtors  | 17,680              | (11,441)      |
| (Increase)/decrease in other debtors and prepayments                                | (3,662)             | 3,642         |
| (Increase)/decrease in inventories  | (5,974)             | 4,122         |
| (Increase)/decrease in income tax receivable  | -                   | 7,541         |
| (Increase)/decrease in deferred tax assets  | 359                 | (40,557)      |
| Increase/(decrease) in trade and other payables                                     | (6,881)             | (4,370)       |
| Increase/(decrease) in deferred tax liability                                       | 9,181               | (42,991)      |
| Increase/(decrease) in provisions   | 780                 | 458           |
| Net cash flows from operating activities  | <u>63,972</u>       | <u>31,979</u> |
| <b>Non-cash investing and financing activities</b>                                  |                     |               |
| Acquisition of plant and equipment by means of finance leases                       | 5,230               | 13,036        |
|   | <u>5,230</u>        | <u>13,036</u> |

### 31. RELATED PARTIES DISCLOSURE

#### (a) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b):

| Name of Entity                           | Country of Incorporation | Class of share | Equity interest |           |
|--|--------------------------|----------------|-----------------|-----------|
|  |                          |                | 2013<br>%       | 2012<br>% |
| Lightning Nickel Pty Ltd*                | Australia                | Ordinary       | 100             | 100       |
| Newsearch Pty Ltd                        | Australia                | Ordinary       | 100             | 100       |
| Karlawinda Pty Ltd                       | Australia                | Ordinary       | 100             | 100       |
| Jabiru Metals Limited*                   | Australia                | Ordinary       | 100             | 100       |
| Jabiru Metals ESP Pty Ltd                | Australia                | Ordinary       | 100             | 100       |
| Jabiru Metals Exploration Pty Ltd        | Australia                | Ordinary       | 100             | 100       |
| Jabiru Metals Exploration Parent Pty Ltd | Australia                | Ordinary       | 100             | 100       |
| Stockman Project Pty Ltd                 | Australia                | Ordinary       | 100             | 100       |
| Stockman Parent Pty Ltd                  | Australia                | Ordinary       | 100             | 100       |
| Jaguar Project Pty Ltd                   | Australia                | Ordinary       | 100             | 100       |
| Jaguar Project Parent Pty Ltd            | Australia                | Ordinary       | 100             | 100       |
| Jabiru CM Pty Ltd                        | Australia                | Ordinary       | 100             | 100       |
| BBS Company Pty Ltd                      | Australia                | Ordinary       | 100             | 100       |
| Jabiru Projects Pty Ltd                  | Australia                | Ordinary       | 100             | 100       |

\* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. Refer to note 39 for further information.

#### (b) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 32.

#### (c) Transactions with related parties

During the financial year, a wholly-owned entity paid dividends of \$63,000,000 (2012: \$89,700,000) 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.

### 32. KEY MANAGEMENT PERSONNEL

#### (a) Compensation of key management personnel

|                              | Consolidated     |                  |
|------------------------------|------------------|------------------|
|                              | 2013<br>\$       | 2012<br>\$       |
| Short-term employee benefits | 3,092,033        | 3,884,531        |
| Post-employment benefits     | 215,553          | 285,617          |
| Long-term employee benefits  | 58,351           | 90,351           |
| Share-based payments         | 489,463          | 170,907          |
|                              | <u>3,855,400</u> | <u>4,431,406</u> |

### 32. KEY MANAGEMENT PERSONNEL (continued)

#### (b) Shareholdings, share rights and option holdings of key management personnel

The number of shares in the Company and share rights for ordinary shares in the Company held by each director and other key management personnel, including their personally related entities, are set out below.

#### Shareholdings in the Company

| 2013                                      | Balance<br>1 July 2012 | Granted as<br>remuneration | Net other<br>changes<br>during the year | Balance<br>30 June 2013 |
|---|------------------------|----------------------------|---|-------------------------|
| <b>Directors of Independence Group NL</b> |                        |                            |   |                         |
| C Bonwick                                 | 2,057,500              | -                          | -                                       | 2,057,500               |
| K Ross                                    | 345,000                | -                          | -                                       | 345,000                 |
| J Christie <sup>1</sup>                   | 503,750                | -                          | (503,750)                               | -                       |
| R Marston                                 | 1,321,917              | -                          | -                                       | 1,321,917               |
| P Bilbe                                   | -                      | -                          | -                                       | -                       |
| G Clifford                                | -                      | -                          | -                                       | -                       |
| <b>Other key management personnel</b>     |                        |                            |   |                         |
| T Bourke                                  | -                      | -                          | -                                       | -                       |
| B Hartmann                                | 40,000                 | -                          | -                                       | 40,000                  |
| R Jacobs                                  | -                      | -                          | -                                       | -                       |
| T Kennedy                                 | 50,000                 | -                          | -                                       | 50,000                  |
| S Steinkrug                               | 2,000                  | -                          | -                                       | 2,000                   |
| D Totterdell <sup>1</sup>                 | 4,800                  | -                          | (4,800)                                 | -                       |
| A Eddowes <sup>2</sup>                    | -                      | -                          | 75,500                                  | 75,500                  |
| <b>Total</b>                              | <b>4,324,967</b>       | <b>-</b>                   | <b>(433,050)</b>                        | <b>3,891,917</b>        |

- Shareholdings are reversed to show a zero balance at 30 June 2013 on resignation as a director or key management personnel.
- Other changes during the year include opening balances on becoming a key management personnel for the first time during the year.

| 2012                                      | Balance<br>1 July 2011 | Granted as<br>remuneration | Net other<br>changes<br>during the year | Balance<br>30 June 2012 |
|---|------------------------|----------------------------|---|-------------------------|
| <b>Directors of Independence Group NL</b> |                        |                            |   |                         |
| O Aamodt <sup>1</sup>                     | 32,000                 | -                          | (32,000)                                | -                       |
| C Bonwick                                 | 2,050,000              | -                          | 7,500                                   | 2,057,500               |
| K Ross                                    | 345,000                | -                          | -                                       | 345,000                 |
| J Christie                                | 500,000                | -                          | 3,750                                   | 503,750                 |
| R Marston                                 | 1,314,417              | -                          | 7,500                                   | 1,321,917               |
| P Bilbe                                   | -                      | -                          | -                                       | -                       |
| <b>Other key management personnel</b>     |                        |                            |   |                         |
| T Bourke                                  | -                      | -                          | -                                       | -                       |
| B Hartmann                                | 40,000                 | -                          | -                                       | 40,000                  |
| R Jacobs                                  | -                      | -                          | -                                       | -                       |
| T Kennedy <sup>2</sup>                    | -                      | -                          | 50,000                                  | 50,000                  |
| S Steinkrug                               | 2,000                  | -                          | -                                       | 2,000                   |
| D Totterdell                              | 4,800                  | -                          | -                                       | 4,800                   |
| G Comb <sup>1</sup>                       | 1,285,898              | -                          | (1,285,898)                             | -                       |
| <b>Total</b>                              | <b>5,574,115</b>       | <b>-</b>                   | <b>(1,249,148)</b>                      | <b>4,324,967</b>        |

- Shareholdings are reversed to show a zero balance at 30 June 2012 on resignation as a director or key management personnel.
- Other changes during the year include opening balances on becoming a key management personnel for the first time during the year.

### 32. KEY MANAGEMENT PERSONNEL (continued)

#### Share rights in the Company

| 2013                                      | Balance<br>1 July 2012 | Granted<br>during the<br>year | Vested as<br>shares<br>during the<br>year | Lapsed<br>during the<br>year | Other<br>changes<br>during the<br>year | Balance<br>30 June 2013 |
|---|------------------------|-------------------------------|---|------------------------------|--|-------------------------|
| <b>Directors of Independence Group NL</b> |                        |                               |   |                              |  |                         |
| C Bonwick                                 | 159,235                | 183,824                       | -   | -                            | -                                      | 343,059                 |
| <b>Other key management personnel</b>     |                        |                               |   |                              |  |                         |
| T Bourke                                  | 49,570                 | -                             | -   | (49,570)                     | -                                      | -                       |
| B Hartmann                                | 58,318                 | 67,324                        | -   | -                            | -                                      | 125,642                 |
| R Jacobs                                  | 51,028                 | 58,908                        | -   | -                            | -                                      | 109,936                 |
| T Kennedy                                 | 45,358                 | 52,363                        | -   | -                            | -                                      | 97,721                  |
| S Steinkrug                               | 54,106                 | 62,461                        | -   | -                            | -                                      | 116,567                 |
| D Totterdell                              | 42,928                 | -                             | -   | (42,928)                     | -                                      | -                       |
| A Eddowes <sup>1</sup>                    | -                      | 34,597                        | -   | -                            | 17,125                                 | 51,722                  |
| <b>Total</b>                              | <b>460,543</b>         | <b>459,477</b>                | <b>-</b>                                  | <b>(92,498)</b>              | <b>17,125</b>                          | <b>844,647</b>          |

1. Other changes during the year include opening balances on becoming a key management personnel for the first time during the year.

| 2012         | Balance<br>1 July 2011 | Granted<br>during the<br>year | Vested as<br>shares<br>during the<br>year | Lapsed<br>during the<br>year | Other<br>changes<br>during the<br>year | Balance<br>30 June 2012 |
|--------------|------------------------|-------------------------------|---|------------------------------|--|-------------------------|
| C Bonwick    | -                      | 159,235                       | -   | -                            | -                                      | 159,235                 |
| T Bourke     | -                      | 49,570                        | -   | -                            | -                                      | 49,570                  |
| B Hartmann   | -                      | 58,318                        | -   | -                            | -                                      | 58,318                  |
| R Jacobs     | -                      | 51,028                        | -   | -                            | -                                      | 51,028                  |
| T Kennedy    | -                      | 45,358                        | -   | -                            | -                                      | 45,358                  |
| S Steinkrug  | -                      | 54,106                        | -   | -                            | -                                      | 54,106                  |
| D Totterdell | -                      | 42,928                        | -   | -                            | -                                      | 42,928                  |
| <b>Total</b> | <b>-</b>               | <b>460,543</b>                | <b>-</b>                                  | <b>-</b>                     | <b>-</b>                               | <b>460,543</b>          |

The share rights relate to the key management personnel's participation in the Independence Group NL Employee Performance Rights Plan (PRP). The share rights represent the maximum number of share rights that the key management personnel are entitled to. They are subject to certain performance conditions being met, including the ongoing employment of the key management personnel at the end of the vesting period.

The PRP 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 PRP and any such issue would be subject to all necessary shareholder approvals.

#### (c) Other transactions and balances with key management personnel and their related parties

Consulting fees have been paid to Virtual Genius Pty Ltd, a company to which director Mr Bonwick is related. The fees were based on normal commercial terms and conditions. Fees paid to Virtual Genius Pty Ltd during the year totalled \$4,000 (2012: \$12,000).

### 33. SHARE-BASED PAYMENT PLANS

#### (a) Employee Performance Rights Plan

The Independence Group NL Employee Performance Rights Plan (PRP) was approved by shareholders at the Annual General Meeting of the Company in November 2011. Under the PRP, 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 PRP 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 following table illustrates the number (No.) and weighted average fair value (WAFV) of, and movements in, share rights during the year:

|  | 2013                   |                                | 2012                   |                                |
|--|------------------------|--------------------------------|------------------------|--------------------------------|
|  | Number of share rights | Weighted average fair value \$ | Number of share rights | Weighted average fair value \$ |
| Outstanding at the beginning of the year | 1,608,837              | 2.58                           | -                      | -                              |
| Rights issued during the year            | 2,042,423              | 2.68                           | 1,608,837              | 2.58                           |
| Rights lapsed during the year            | (411,980)              | 2.39                           | -                      | -                              |
| Outstanding at the end of the year       | 3,239,280              | 2.66                           | 1,608,837              | 2.58                           |

The fair value of the share rights granted under the PRP is estimated at the grant date using a trinomial tree which has been adopted by the Boyle and Law (1994) node alignment algorithm to improve accuracy.

The following table lists the inputs to the models used.

| Grant date | Performance hurdle | Dividend yield | Expected stock volatility | Expected index volatility | Risk free rate | Expected life | Weighted average share price at grant date | Probability ROE exceeding target |
|------------|--------------------|----------------|---------------------------|---------------------------|----------------|---------------|--|----------------------------------|
|            |                    | %              | %                         | %                         | %              | Years         | \$   | %                                |
| 21/11/2012 | TSR                | 0.47           | 41                        | 24                        | 2.64           | 2.6           | 4.29                                       | -                                |
| 21/11/2012 | ROE                | -              | -                         | -                         | -              | -             | -  | <50                              |
| 28/02/2013 | TSR                | 0.45           | 40                        | 22                        | 2.67           | 0.3           | 4.47                                       | -                                |
| 28/02/2013 | TSR                | 0.45           | 40                        | 23                        | 2.72           | 2.3           | 4.47                                       | -                                |
| 28/02/2013 | ROE                | -              | -                         | -                         | -              | -             | -  | <50                              |
| 23/11/2011 | TSR                | 1.07           | 54                        | 30                        | 3.09           | 2.6           | 4.69                                       | -                                |
| 23/11/2011 | ROE                | -              | -                         | -                         | -              | -             | -  | <50                              |
| 13/03/2012 | TSR                | 0.72           | 46                        | 29                        | 3.56           | 0.3           | 4.17                                       | -                                |
| 13/03/2012 | TSR                | 0.72           | 46                        | 29                        | 3.56           | 2.3           | 4.17                                       | -                                |
| 13/03/2012 | ROE                | -              | -                         | -                         | -              | -             | -  | <50                              |

The share-based payments expense included in profit or loss for the year totalled \$3,874,000 (2012: \$862,000).

#### **Executive directors and other executives**

Vesting of the performance rights to executive directors and other executives of the Company is subject to a combination of Independence Group NL's shareholder return and return on equity. The performance rights will vest if over the three year measurement period the following performance hurdles are achieved:

#### **Shareholder return**

The vesting of 75% of the performance rights at the end of the third year will be 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 performance rights (75% of the total) that will vest based on the comparative shareholder return will be:

| 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%                              |

### 33. SHARE-BASED PAYMENT PLANS (continued)

#### (a) Employee Performance Rights Plan (continued)

##### *Return on equity*

The vesting of the remaining 25% of the performance rights at the end of the third year will be 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 will be calculated in accordance with the following formula:

$$\text{ROE} = \text{Net profit after tax} / \text{Total shareholders' equity}$$

The target ROE will be set each year by the Board as part of the budget approval process for the following year. The target ROE for the financial year ending 30 June 2013 is 10% (2012: 10%). The portion of performance rights (25% of the total) that will vest based on the comparative return on equity will be:

| 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%                              |

##### *Other employees*

Vesting of the performance rights to all other employees of the Company is subject to a combination of the personal performance of the individual and Independence Group NL's shareholder return over the measurement period, being one year. The performance rights will vest one year after measurement period on the following basis:

##### *Personal performance*

The vesting of between 60-90% of the performance rights at the end of the second year will be based on the personal performance of the individual employee. The personal performance of the participant will be determined solely at the discretion of the Company and is determined as a result of the annual performance review of each participant. The portion of performance rights (ranging between 60-90% of the total) that will vest based on the personal performance return will be:

| Performance standard criteria                | Level of vesting |
|--|------------------|
| Unsatisfactory work performance              | 0%               |
| Improvement in performance standard required | 0%               |
| Developing contributor                       | 40%              |
| Consistent contributor                       | 60%              |
| Solid contributor                            | 80%              |
| Outstanding contributor                      | 100%             |

##### *Shareholder return*

The vesting of between 10-40% of the performance rights at the end of the second year will be based on measuring the actual shareholder return at the end of the measurement period of one year compared with the change in the S&P ASX 300 Metals and Mining Index (Index) over that same period. The portion of performance rights (ranging between 10-40% of the total) that will vest based on the comparative shareholder return will be:

| 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%                              |

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 PRP is subject to, and conditional upon, compliance with the Company's employee share trading policy.

##### *Non-executive directors*

The PRP 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 PRP and any such issue would be subject to all necessary shareholder approvals.

### 34. COMMITMENTS AND CONTINGENCIES

|  | Consolidated  |               |
|--|---------------|---------------|
|  | 2013<br>\$000 | 2012<br>\$000 |
| <b>(a) Commitments</b>   |               |               |
| <b>(i) Leasing commitments</b>   |               |               |
| <i>Operating lease commitments</i>   |               |               |
| Future minimum rentals payable under non-cancellable operating leases at 30 June are as follows:                         |               |               |
| Within one year  | 1,361         | 1,479         |
| After one year but no more than five years   | 6,620         | 6,892         |
| After more than five years   | 2,689         | 4,084         |
| Total minimum lease payments   | 10,670        | 12,455        |
| <br><i>Finance lease and hire purchase commitments</i>   |               |               |
| Future minimum lease payments under lease contracts with the present value of net minimum lease payments are as follows: |               |               |
| Within one year  | 6,604         | 12,827        |
| After one year but not more than five years  | 4,193         | 7,396         |
| Total minimum lease payments   | 10,797        | 20,223        |
| Less amount representing finance charges   | (749)         | (1,604)       |
| Present value of minimum lease payments  | 10,048        | 18,619        |
| <br>Current borrowings (note 27)   | <br>6,030     | <br>11,685    |
| Non-current borrowings (note 27)   | 4,018         | 6,934         |
| Total included in borrowings   | 10,048        | 18,619        |

#### **(ii) Property, plant and equipment commitments**

The Group had no specific contractual obligations to purchase plant and equipment at the reporting date (2012: \$1,312,000).

### **(b) Contingencies**

The Group has guarantees outstanding at 30 June 2013 totalling \$15,249,000 (2012: \$13,911,000) which have been granted in favour of various third parties. The guarantees primarily relate to environmental and rehabilitation bonds at the various mine sites.

A native title claim has been made with respect to tenements within the Stockman Project area, a tenement which is owned by a wholly-owned subsidiary of the Company. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event whether or not and to what extent the claims may affect the project.

### 35. EVENTS AFTER THE REPORTING DATE

On 28 August 2013, the Company announced a fully franked final dividend of 1 cent per share to be paid on 27 September 2013.

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.

### 36. AUDITOR'S REMUNERATION

|   | <b>Consolidated</b> |                |
|---|---------------------|----------------|
|   | <b>2013</b>         | <b>2012</b>    |
|   | <b>\$</b>           | <b>\$</b>      |
| The auditor of Independence Group NL is BDO (WA) Pty Ltd  |                     |                |
| <i>Amounts received or due and receivable by BDO for:</i>   |                     |                |
| • An audit or review of the financial report of the entity and any other entity in the consolidated Group | 191,500             | 189,500        |
| • Taxation services in relation to the entity and any other entity in the consolidated Group              | 21,851              | 20,900         |
| • Other services in relation to the entity and any other entity in the consolidated Group                 | 23,165              | 45,319         |
|   | <b>236,516</b>      | <b>255,719</b> |

### 37. INTERESTS IN JOINT VENTURES

The Company has a jointly controlled operation: The Tropicana Gold Project with AngloGold Ashanti Australia Limited in which it has a 30% participating interest. The boards of directors of both companies approved the development of the Project in November 2010. The Group's interests in the assets employed in the joint venture are included in the balance sheet, in accordance with the accounting policy described in note 2(b)(iii), under the following classifications:

|  | <b>Consolidated</b> |                |
|--|---------------------|----------------|
|  | <b>2013</b>         | <b>2012</b>    |
|  | <b>\$000</b>        | <b>\$000</b>   |
| <b>Current assets</b>                  |                     |                |
| Cash and cash equivalents              | 12,887              | 7,729          |
| Trade and other receivables            | 5,875               | 24,747         |
| Inventories                            | 567                 | -              |
| <b>Total current assets</b>            | <b>19,329</b>       | <b>32,476</b>  |
| <b>Non-current assets</b>              |                     |                |
| Property, plant and equipment          | 2,874               | 468            |
| Mine properties                        | 260,341             | 61,524         |
| Exploration and evaluation expenditure | 28,270              | 47,932         |
| <b>Total non-current assets</b>        | <b>291,485</b>      | <b>109,924</b> |
| <b>Total assets</b>                    | <b>310,814</b>      | <b>142,400</b> |
| <b>Current liabilities</b>             |                     |                |
| Trade and other payables               | 14,052              | 15,607         |
| <b>Total current liabilities</b>       | <b>14,052</b>       | <b>15,607</b>  |
| <b>Non-current liabilities</b>         |                     |                |
| Provisions                             | 8,820               | 1,915          |
| Deferred tax liabilities               | 13,604              | 11,969         |
| <b>Total non-current liabilities</b>   | <b>22,424</b>       | <b>13,884</b>  |
| <b>Total liabilities</b>               | <b>36,476</b>       | <b>29,491</b>  |
| <b>Net assets</b>                      | <b>274,338</b>      | <b>112,909</b> |

Expenses of \$2,068,000 (2012: \$1,736,000) before tax in relation to the Company's interest in the joint venture have been included in the profit or loss.

Forecast capital commitments of \$37,148,000 (2012: \$191,165,000) comprising capitalised construction costs, plant and equipment and exploration expenditure in relation to the Tropicana Gold Project are yet to be incurred at 30 June 2013.



**38. PARENT ENTITY INFORMATION**

The following information relates to the parent entity, Independence Group NL, at 30 June. The information presented here has been prepared using consistent accounting policies as presented in note 2.

|  | <b>Consolidated</b> |              |
|--|---------------------|--------------|
|  | <b>2013</b>         | <b>2012</b>  |
|  | <b>\$000</b>        | <b>\$000</b> |
| <b>Balance sheet</b>                           |                     |              |
| Current assets                                 | 8,093               | 148,865      |
| Non-current assets                             | 667,144             | 515,911      |
| Total assets                                   | 675,237             | 664,776      |
| Current liabilities                            | 14,246              | 15,086       |
| Non-current liabilities                        | 11,522              | 7,565        |
| Total liabilities                              | 25,768              | 22,651       |
| Net assets                                     | 649,469             | 642,125      |
| <b>Shareholders' equity</b>                    |                     |              |
| Contributed equity                             | 734,007             | 734,007      |
| Reserves                                       | 11,935              | 8,061        |
| Accumulated losses                             | (96,473)            | (99,943)     |
| Total equity                                   | 649,469             | 642,125      |
| Profit (loss) for the year                     | 8,128               | (121,774)    |
| Other comprehensive income for the year        | -                   | -            |
| Total comprehensive income (loss) for the year | 8,128               | (121,774)    |

### 39. DEED OF CROSS GUARANTEE

Independence Group NL, Lightning Nickel Pty Ltd and Jabiru Metals Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

#### (a) Consolidated statement of 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 Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Independence Group NL, they also represent the 'extended closed group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2013 and 30 June 2012 of the closed group consisting of Independence Group NL, Lightning Nickel Pty Ltd and Jabiru Metals Limited.

| <b>Statement of profit or loss and other comprehensive income</b>                    | <b>2013<br/>\$000</b> | <b>2012<br/>\$000</b> |
|--|-----------------------|-----------------------|
| Revenue from continuing operations   | 225,867               | 216,549               |
| Other income   | 715                   | -                     |
| Mining and development costs   | (63,156)              | (74,763)              |
| Employee benefits expense  | (54,659)              | (51,636)              |
| Share-based payments expense   | (3,874)               | (862)                 |
| Fair value movement of financial investments   | (2,196)               | (3,490)               |
| Depreciation and amortisation expense  | (24,265)              | (39,095)              |
| Rehabilitation and restoration borrowing costs                                       | (268)                 | (375)                 |
| Exploration costs expensed   | (2,667)               | (2,813)               |
| Royalty expense  | (8,029)               | (8,028)               |
| Ore tolling expense  | (11,978)              | (11,234)              |
| Shipping and wharfage expense  | (12,464)              | (11,178)              |
| Net (losses) gains on fair value financial liabilities                               | (345)                 | 1,356                 |
| Borrowing and finance costs  | (1,356)               | (1,413)               |
| Impairment of exploration and evaluation expenditure                                 | (5,672)               | (59,243)              |
| Impairment of goodwill and other assets  | -                     | (255,929)             |
| Other expenses   | (5,645)               | (7,739)               |
| <b>Profit (loss) from continuing operations before income tax</b>                    | <b>30,008</b>         | <b>(309,893)</b>      |
| Income tax (expense) benefit   | (10,170)              | 83,203                |
| <b>Profit (loss) after income tax</b>  | <b>19,838</b>         | <b>(226,690)</b>      |
| <b>Other comprehensive income</b>  |                       |                       |
| Effective portion of changes in fair value of cash flow hedges, net of tax           | (10,160)              | 7,273                 |
| Other comprehensive (loss) income, net of tax  | (10,160)              | 7,273                 |
| <b>Total comprehensive income (loss)</b>   | <b>9,678</b>          | <b>(219,417)</b>      |
| <b>Summary of movements in consolidated retained earnings</b>                        |                       |                       |
| <b>(Accumulated losses) retained earnings at the beginning of the financial year</b> | <b>(51,482)</b>       | <b>185,953</b>        |
| Profit (loss) for the year   | 19,838                | (226,690)             |
| Dividends paid   | (4,658)               | (10,745)              |
| <b>Accumulated losses at the end of the financial year</b>                           | <b>(36,302)</b>       | <b>(51,482)</b>       |

39. DEED OF CROSS GUARANTEE (continued)

(b) Consolidated balance sheet

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

|  | 2013<br>\$000  | 2012<br>\$000  |
|--|----------------|----------------|
| <b>ASSETS</b>  |                |                |
| <b>Current assets</b>                                      |                |                |
| Cash and cash equivalents                                  | 14,327         | 184,949        |
| Trade and other receivables                                | 18,185         | 33,845         |
| Inventories  | 22,193         | 16,786         |
| Financial assets at fair value through profit or loss      | 1,042          | 3,346          |
| Derivative financial instruments                           | 6,946          | 23,950         |
| <b>Total current assets</b>                                | <b>62,693</b>  | <b>262,876</b> |
| <b>Non-current assets</b>                                  |                |                |
| Receivables  | 49,489         | 39,799         |
| Property, plant and equipment                              | 30,638         | 33,731         |
| Exploration and evaluation expenditure                     | 22,655         | 20,812         |
| Mine properties  | 88,774         | 61,750         |
| Deferred tax assets  | 152,255        | 152,674        |
| Investments in controlled entities                         | 139,276        | 139,276        |
| Investments in joint ventures                              | 292,561        | 127,430        |
| Intangible assets  | 179            | 454            |
| Derivative financial instruments                           | 1,981          | -              |
| <b>Total non-current assets</b>                            | <b>777,808</b> | <b>575,926</b> |
| <b>TOTAL ASSETS</b>  | <b>840,501</b> | <b>838,802</b> |
| <b>LIABILITIES</b>   |                |                |
| <b>Current liabilities</b>                                 |                |                |
| Trade and other payables                                   | 37,907         | 42,939         |
| Borrowings   | 6,030          | 11,685         |
| Derivative financial instruments                           | 1,910          | 570            |
| Provisions   | 2,446          | 1,260          |
| Financial liabilities at fair value through profit or loss | -              | 4,818          |
| <b>Total current liabilities</b>                           | <b>48,293</b>  | <b>61,272</b>  |
| <b>Non-current liabilities</b>                             |                |                |
| Borrowings   | 11,524         | 6,934          |
| Provisions   | 12,904         | 12,834         |
| Deferred tax liabilities                                   | 55,743         | 54,619         |
| <b>Total non-current liabilities</b>                       | <b>80,171</b>  | <b>74,387</b>  |
| <b>TOTAL LIABILITIES</b>                                   | <b>128,464</b> | <b>135,659</b> |
| <b>NET ASSETS</b>  | <b>712,037</b> | <b>703,143</b> |
| <b>EQUITY</b>  |                |                |
| Contributed equity   | 734,007        | 734,007        |
| Reserves   | 14,332         | 20,618         |
| Accumulated losses   | (36,302)       | (51,482)       |
| <b>TOTAL EQUITY</b>  | <b>712,037</b> | <b>703,143</b> |

## DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 18 to 77 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 2013 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 39 will be able to meet any obligation or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 39.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Board



.....  
C M Bonwick  
Managing Director

Perth, Western Australia

Dated this 28th day of August 2013

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INDEPENDENCE GROUP NL

### Report on the Financial Report

We have audited the accompanying financial report of Independence Group NL, which comprises the consolidated balance sheet as at 30 June 2013, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Independence Group NL, would be in the same terms if given to the directors as at the time of this auditor's report.



## Opinion

In our opinion:

- (a) the financial report of Independence Group NL is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

## Report on the Remuneration Report

We have audited the Remuneration Report of the directors' report for the year ended 30 June 2013. 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.

## Opinion

In our opinion, the Remuneration Report of Independence Group NL for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

Brad McVeigh  
Director

Perth, Western Australia  
Dated this 28<sup>th</sup> day of August 2013