INDEPENDENCE GROUP NL
ABN 46 092 786 304

27 September 2006

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

NO. OF PAGES : (95)

2006 ANNUAL REPORT

Independence Group NL is pleased to provide its 2006 Annual Report which includes the following:-

- Chairman's Report
- Managing Director's Operations Report
- Corporate Governance Statement
- Directors' Report
- Financial Report
- Independent Audit Report
- Additional Information Required for ASX Listed Companies

The Annual Report is also available on the Company's website and will be forwarded to shareholders by 20 October 2006 together with the Annual General Meeting notice and proxy form.

An interactive version of the financial section of the Annual Report will be made available prior to the printed report being sent to shareholders.

CHRISTOPHER BONWICK
Managing Director

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Western Australia 6951
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E-mail: contact@independencegroup.com.au
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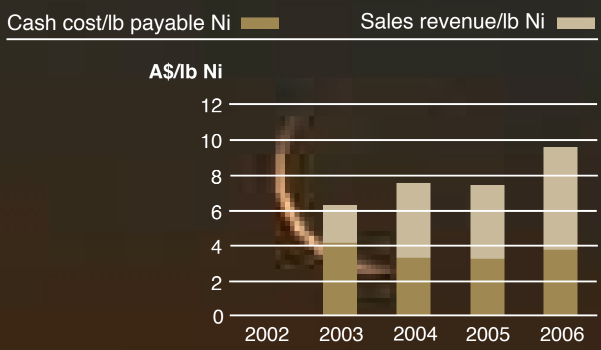
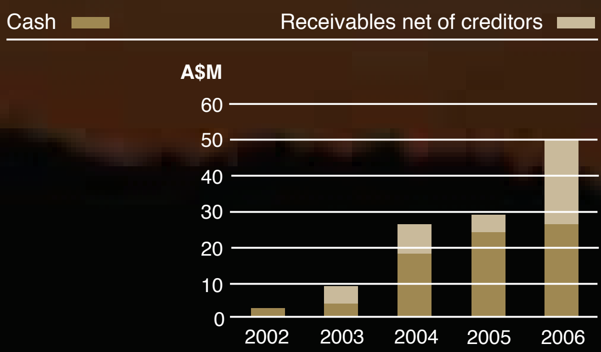
INDEPENDENCE GROUP NL

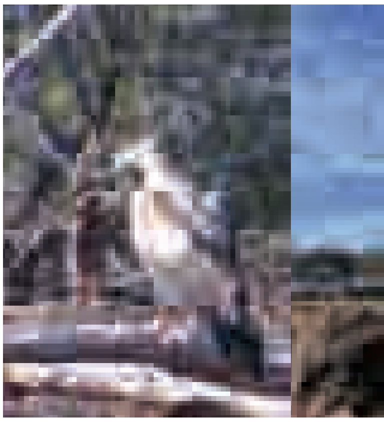
ABN 46 092 786 304

"Focus on Growth"

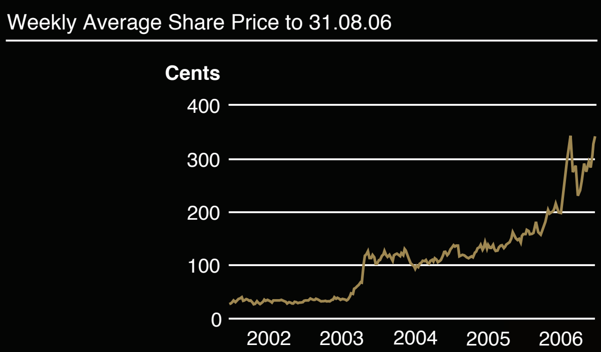
2006 Annual Report







"Focus on Growth"



Independence has declared a net profit after income tax of $35.0 million for the year, and returned dividends of $7.8 million to shareholders.

Corporate Directory

Directors

Rod Marston	*(Chairman and Non-executive Director)*
Christopher Bonwick	*(Managing Director)*
Kelly Ross	*(Executive Director and Company Secretary)*
John Christie	*(Non-executive Director)*
Oscar Aamodt	*(Non-executive Director)*

Management

Tim Moran	*(Chief Operations Officer)*
Tim Kennedy	*(Exploration Manager)*
Peter Williams	*(Chief Geophysicist)*

Perth Office

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Kambalda Office – Long Nickel Mine

Brett Hartmann *(General Manager)*
Lightning Nickel Pty Ltd
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Telephone: +61 8 9027 6699
Facsimile: +61 8 9027 6609

Solicitors

Blakiston & Crabb
1202 Hay Street
West Perth, Western Australia 6005

Auditor

BDO Chartered Accountants & Advisers
Level 8, 256 St Georges Terrace
Perth, Western Australia 6000
Telephone: +61 8 9360 4200

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, Western Australia 6153
Telephone: +61 8 9315 0933

ASX Code : IGO

Share Structure at 30 June 2006

Listed	
• Ordinaries	112,271,107
Unlisted	
• Options	5,046,850
Total	**117,317,957**

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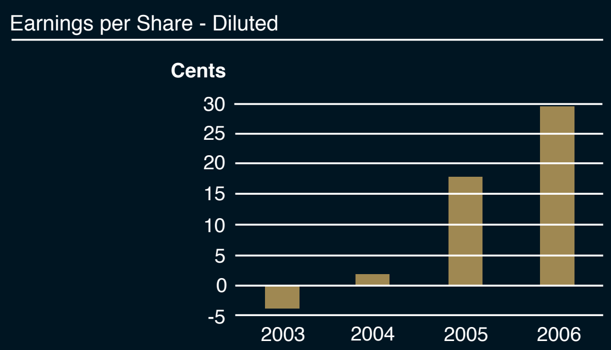
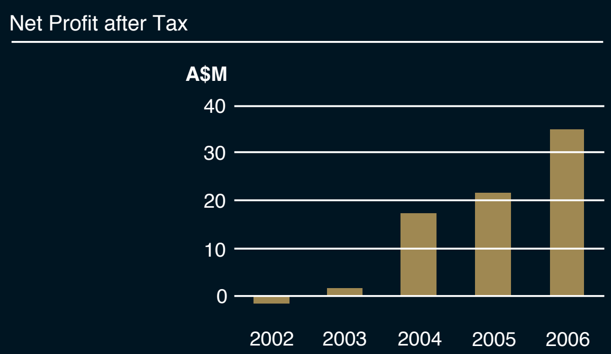
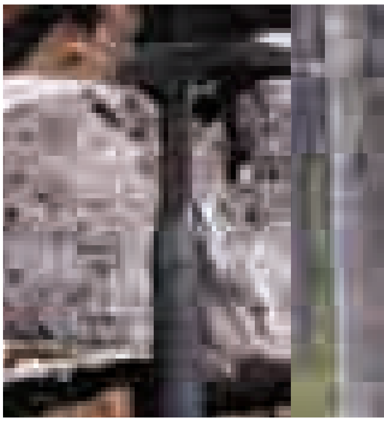
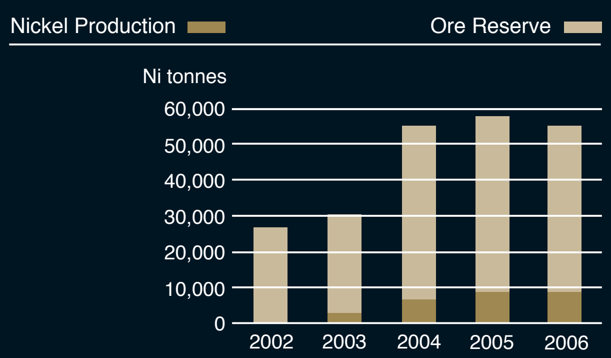






"Highlights From A Successful Year"



Group

Net profit after tax of $35.0 million (2005: $20.9 million)

Dividends paid – 7 cents fully franked (2005: 8 cents)

Dividends payable – 7 cents fully franked, to be paid in October 2006

Exploration

Conversion of a portion of the McLeay high-grade nickel deposit to reserves. Deposit is still open to the south, east and west

Long South Decline reached the northern limit of the Long South Target. Drilling intersected 2.45m @ 3.1% Ni and down-hole TEM anomaly defined south of the decline. Drill-testing continues

Tropicana JV (IGO 30%) – large virgin gold system defined. Target is a multi-million ounce open-cut gold mine. Drilling in progress to enable a JORC-compliant resource to be estimated. Best intercepts to date include 32m @ 6.6g/t, 29m @ 4.4g/t and 42m @ 3.3g/t Au (true widths)

Strong geophysical TEM anomalies on the Duketon, Irwin Bore, Mt Tate, Ravensthorpe, Quondong, Royal North and Lake Lefroy JV nickel sulphide projects

High-grade intercepts at Dalwallinu including 7m @ 30.1g/t Au and 7m @ 21.8g/t Au

Operations

$44.6 million (2005: $47.2 million) operating cash flow before tax and capital costs and $56.4 million pre-tax profit from the Long Nickel Mine

Only 3 lost time injuries since the commencement of mining in October 2002

238,547 tonnes of ore mined at 3.73% Ni producing 8,897 nickel tonnes

Long reserves at 30 June 2006: 46,800 nickel tonnes - > 5 year mine life

Extensions to reserves and resources likely at McLeay following intercepts of 16m @ 14.3% Ni and 9m @ 4.6% Ni

Rod Marston (63)

B.Sc. (Hons), Ph.D., MAIG, MSEG
Non-executive Chairman

Dr Marston is a geologist with over 35 years experience in the mineral exploration and mining industry, both in Australia and internationally. He has held senior positions with the Geological Survey of Western Australia and several mineral resource consulting groups, who have provided their services to major Australian mining houses the ilk of WMC and BHP Limited. He compiled landmark mineral resource bulletins on copper and nickel mineralisation in Western Australia when at the Survey. Dr Marston played a key role in the discovery, development and management of the multi-million ounce Damang Gold Mine in Ghana, West Africa. Dr Marston was previously a director of Ranger Minerals Ltd (now merged with Perilya Ltd) and is also a director of Southstar Diamonds Limited.

Left to right; Chris Bonwick, Kelly Ross, Rod Marston, Oscar Aamodt and John Christie.

Christopher Bonwick (47)

B.Sc. (Hons), MAusIMM
Managing Director

Mr Bonwick is a geologist with 25 years experience in the mineral exploration and mining industry, particularly in the areas of Australian gold and nickel exploration. He has a proven track record of successful mineral exploration and team management. Mr Bonwick was employed by mining house WMC for ten years, as an open-cut and underground mine geologist, and senior supervising geologist at WMC's Kalgoorlie Exploration Division. In 1991, he moved to Samantha Gold NL where he was employed as Chief Geologist and became Chief Geologist at Resolute Limited in 1994. Mr Bonwick has led teams that have successfully located virgin gold discoveries, including the Chalice (which returned $100 million profit in just over three years and won "Diggers and Dealer's Discovery of the Year" in 1994), Redeemer and Indee deposits, as well as near-mine gold discoveries in Australia (Hill 50 satellites and Marymia satellites) and Africa. Mr Bonwick is also a director of Southstar Diamonds Limited.

Kelly Ross (44)

CPA, ACIS
Executive Director

Kelly Ross is an accountant with over 20 years experience in the mineral exploration and mining industry. Ms Ross was with the Resolute group from 1987 to 2000, during which time Resolute grew from a small exploration company to a major gold producer.

Ms Ross has held positions with National Resources Exploration Pty Ltd, the Kimseed Group, Murchison United NL and the Department of Mineral & Petroleum Resources. Ms Ross is also the Company Secretary of Independence Group NL.

John Christie (68)

CPA, ACIS
Non-executive Director

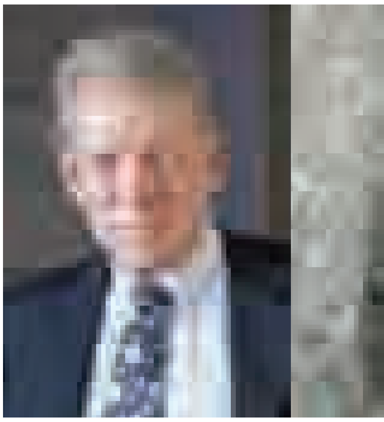
Mr Christie is an accountant by profession with experience primarily in the resource and construction industries. He spent 16 years with Anaconda Australia Inc including seven years as Vice President and Treasurer. Mr Christie has previously held board positions with Ranger Minerals Ltd and General Minerals Corporation. Mr Christie was Company Secretary and CFO of Ranger Minerals Ltd from 1984 to 2002.

Oscar Aamodt (60)

FCIS
Non-executive Director

Oscar Aamodt is a fellow of the Institute of Chartered Secretaries and has more than 20 years experience in the administration and management of mining and exploration listed companies in Australia and overseas. He has held a number of directorships in Australian mining companies as well as having held the positions of Chief Financial Officer and Chief Operating Officer with Resolute Limited, a company that at the time had operations in Australia and Africa. He has had extensive involvement in project development team work, project financing as well as corporate activities. From February 2002 until May 2003 he was a Director and Company Secretary of Abelle Limited and most recently Company Secretary of Bluestone Tin Limited and Metals Exploration Limited. Mr Aamodt is also currently a director of ASX listed company Energy Metals Limited.

Rod Marston
Chairman



"Building on Success"

"Commodity prices have been very strong in the past year, and are generally forecast to remain high in Australian dollar terms for the foreseeable future."

Dear Fellow Shareholders,

Independence Group has made excellent progress during the past year in four key areas:

- increasing cash flow and profitability: NPAT $35.0 million (2004/5: $20.9 million), whilst also paying off all bank debt;
- finding additional nickel resources and reserves adjacent to the mine workings;
- achieving significant exploration success in some of the Company's self-managed gold and nickel grass-roots projects; and
- discovery of zones of gold mineralisation with high tonnage potential in a new gold camp via the Tropicana Joint Venture.

This has resulted in strong shareholder returns in the form of share price growth of some 150% as well as shareholders receiving dividends of 7 cents during the year. A further 7 cent dividend is due to be paid to shareholders in October 2006. Independence is included in the Standard and Poors ASX 300 index, and has a current market capitalisation of about $430 million.

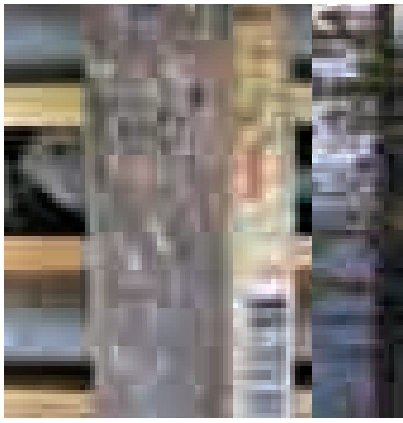
Production from the Long Nickel mine was 8,897 contained tonnes of nickel metal. At year-end hedged nickel metal represented 22% of IGO's share of the current reserve of 46,800t of nickel. Since start-up the revenue from the mine has amounted to $288 million.

There are many exciting nickel targets to explore that will be accessible from modest extensions to the existing Long underground openings. This has already been achieved with the discovery and continuing extension of the McLeay deposit south of Victor South, and with geophysical conductors in nickeliferous ultramafics being found as the Long South exploration decline progresses. The recent purchase of nickel rights in tenements north of Long gives the Company further access to the rich eastern flank of the world-class Kambalda Dome nickel camp.

The Company's exploration focus remains on gold and nickel sulphide resources in Western Australia, although new promising projects have also been generated in NSW, Queensland and Sweden. Commodity prices have been very strong in the past year, and are generally forecast to remain high in Australian dollar terms for the foreseeable future. Rising costs in the mining industry means that the Company is focused on finding large new mining camps (eg. Tropicana) and exploring near existing ones (eg. Kambalda, Ravensthorpe and Wiluna).

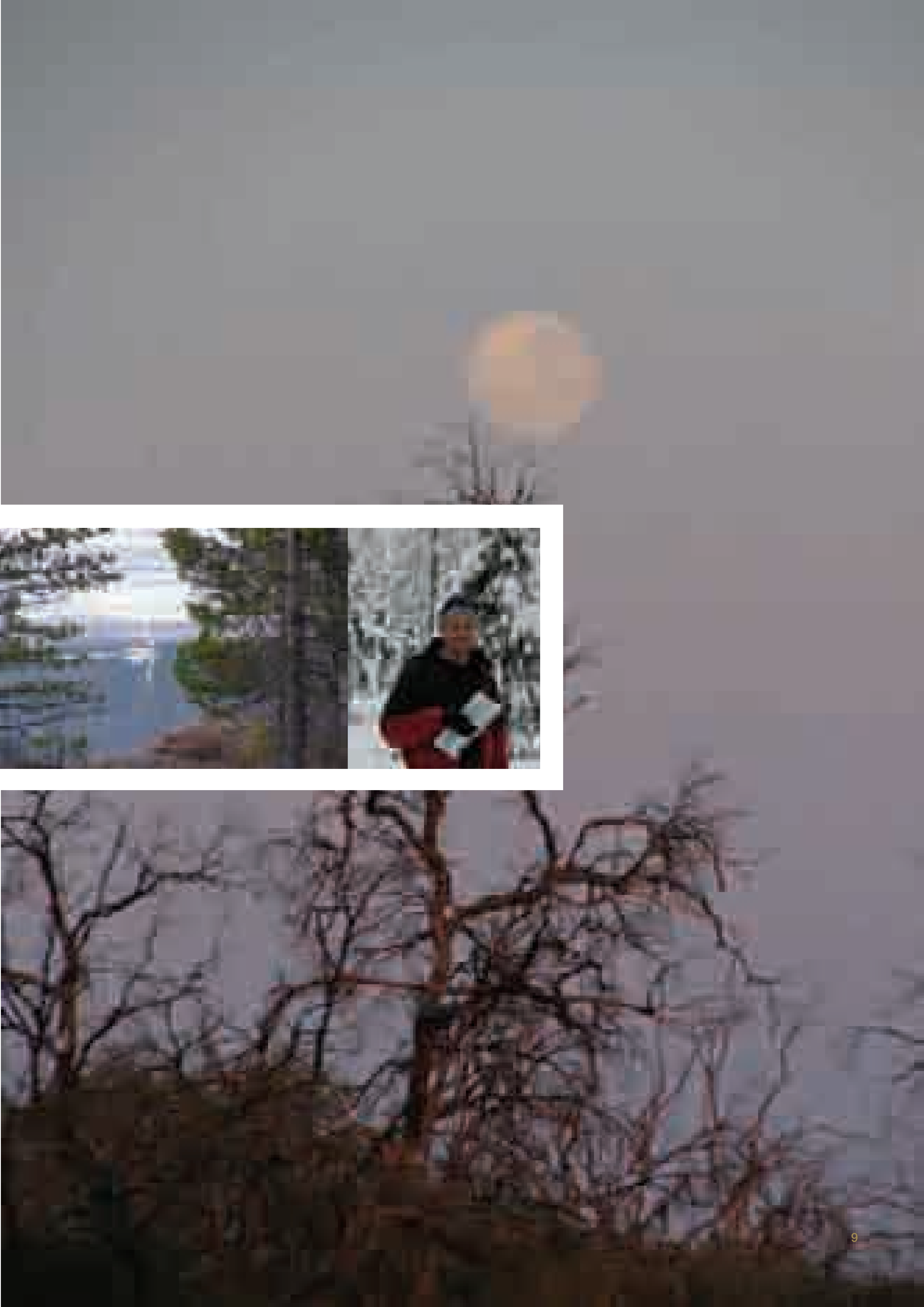
A new Pre-Cambrian gold camp is emerging from the ongoing work on the Tropicana property in south-eastern Western Australia, where AngloGold Ashanti Australia Limited is manager. It is expected that a resource will be announced for Tropicana during 2007. The multiple zones of mineralisation are thick, extensive and appear to be amenable to open-pit mining.

Exploration for nickel is progressing north of Laverton in the extensive Duketon and Cullen Joint Venture areas and promising geochemical and geophysical anomalies have been found. The superior Anglo American SQUID electromagnetic sensor is also being used to explore for Kambalda Dome analogues in the salt lake country of Lake Lefroy, terrain which is not amenable to traditional exploration techniques for nickel sulphides. The Company has also obtained farm-in rights to nickel sulphide projects in the highly prospective Agnew-Wiluna and Ravensthorpe greenstone belts.

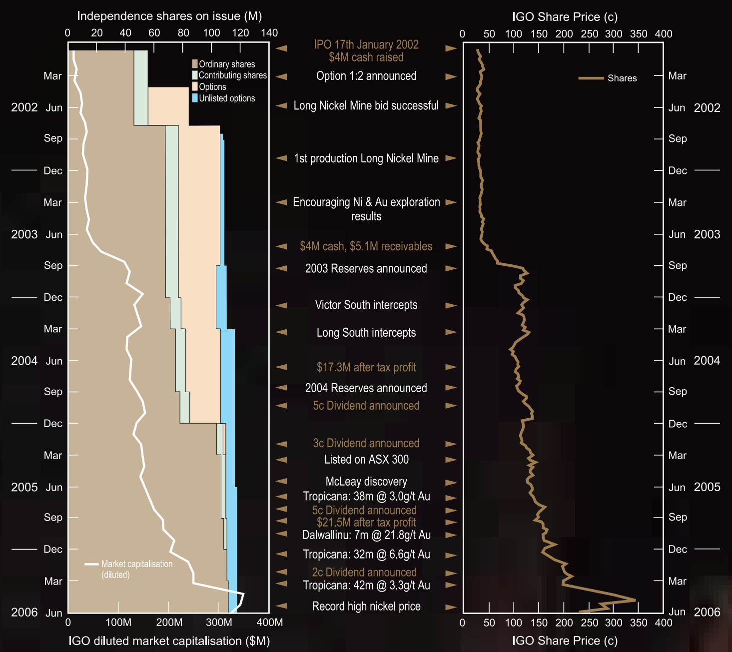


On your behalf, I extend my thanks to our highly skilled management team and employees for their hard work and dedicated contribution to the current equity value of our Company. I thank shareholders for their support and urge them to maintain their interest in the growth of Independence, as we strive to remain a safe, innovative and efficient explorer and miner.

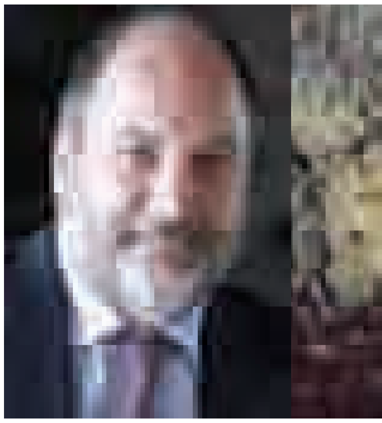
Rod Marston
CHAIRMAN



Market Capitalisation - Significant Events and Share Price Graph



Christopher Bonwick
Managing Director



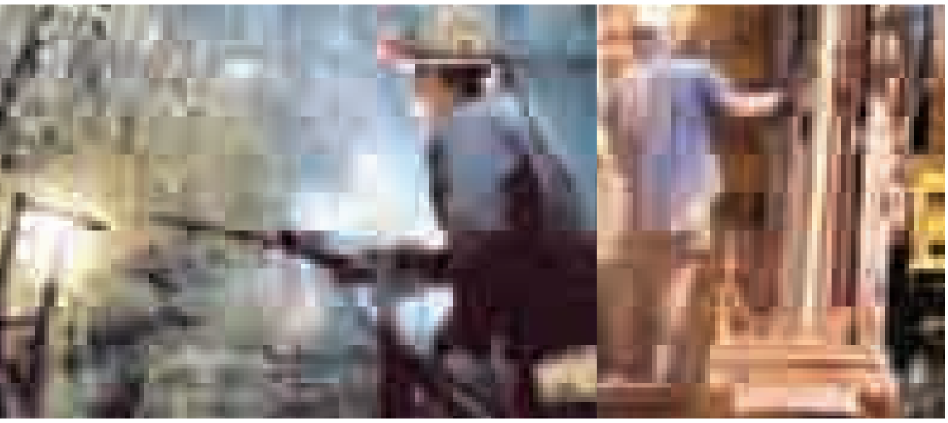
"Continued Growth"

"Long Nickel Mines' safety record is a tribute to the Company's underground mining team which we consider to be one of the most talented in Australia".

Dear Fellow Shareholders,

2005/6 was a year of outstanding achievement for the Company. Independence produced a net profit after income tax of $35.0 million (FY 2005: $20.9 million) derived from a pre-tax operating cash flow of $44.6 million (2005: $47.2 million). Bank debt was paid off during the year and cash plus net receivables were $51.4 million. Strong cash flow from the Long Nickel Mine resulted in fully franked dividend payments of 7 cents to shareholders and at the time of writing a 150% increase in share price from $1.50 on 30 June 2005 to $3.70. I would like to thank all of our employees, contractors and consultants for their hard work and continued commitment during the year.

The Long Nickel Mine had a strong year with production of 238,551t @ 3.7% Ni (8,897 Ni t). The new McLeay mine was successfully brought into production. Cash costs of A$3.75/lb payable nickel were amongst the lowest in the world for underground nickel mines. Only 3 lost time injuries have occurred since the commencement of operations in October 2002. Long's safety record is a tribute to the Company's underground mining team which we consider to be one of the most talented in Australia.



Ore resources and reserves estimated at 30 June 2006 are likely to increase due to the southerly extensions to McLeay recently defined by drilling (16m @ 14.3% Ni and 9m @ 4.6% Ni). Production is forecast to continue to at least 2011 based on reserves only. In addition to the McLeay extensions further resource to reserve conversion within Long, and delineation of additional ore outside the current Long ore resource boundary may also extend mine life.

The mine's exploration team has outlined promising targets which could result in a significantly increased mine life at the current production level of approximately 9,000 Ni tonnes per annum. These include:

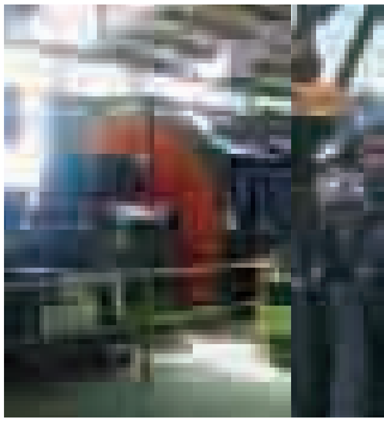
- The Long South prospect, where the exploration decline has reached the northern end of the target area beneath Victor and Victor South and drilling has intersected massive nickel sulphides;
- The Long North prospect, where only two diamond holes north of the Long orebody have been drilled, both of which intersected nickel sulphides; and
- The southern continuation of the Victor South - McLeay system towards the Silver Lake Nickel Mine.

Significant exploration funding will be made available in the 2007 financial year ($13.0 million) to test these targets and gold and nickel targets elsewhere in Australia and at Storbodsund in Sweden.

As well as paying dividends, strong cash flows from the mine have enabled aggressive regional exploration programs, primarily targeting new Australian nickel and gold camps. Our in-house geological and geophysical expertise has also generated a number of high quality nickel geophysical targets and gold anomalies, which will be further drill-tested in the coming year. Our joint venture partner AngloGold Ashanti Australia Limited has intersected significant gold mineralisation (eg. 32m @ 6.6g/t Au true width) at the Tropicana Project, one of the original projects in Independence's IPO prospectus. This region could represent a new Australian gold province, where the joint venture has a very large ground holding containing numerous large untested gold anomalies. New gold mineralisation has also been found at Independence's Dalwallinu and Mt Padbury projects. New nickel occurrences and TEM conductors are being evaluated on Independence's nickel projects.

Independence has all the ingredients to become a major force in the worldwide resources industry. The financial year ahead promises to be very exciting with the potential for significant organic growth. I would like to thank all shareholders and employees for their strong support. Independence will continue its commitment to delivering shareholder value.

Christopher Bonwick
MANAGING DIRECTOR



"Proven Track Record"

In September 2002 the Company acquired the Long Nickel Mine with a reserve base of 26,800 tonnes of nickel and became a nickel producer in October 2002. At 30 June 2006, the mining reserve base is 46,800 Ni t. To 30 June 2006 the Company has mined 27,618 nickel tonnes at low costs to produce $132 million cash before tax and capital expenditure.

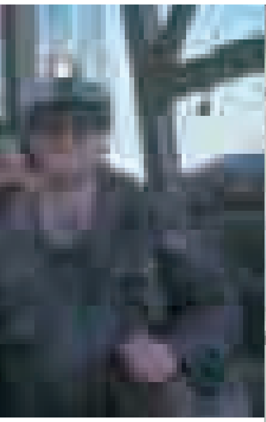
Long Nickel Mine - IGO 100%

Background

Independence Group's wholly owned subsidiary Lightning Nickel Pty Ltd ("Lightning"), acquired the Long Nickel Mine and the lease of related infrastructure and equipment from WMC Resources Ltd for $15 million in September 2002. The mine was successfully commissioned in October 2002.

The mine is located at Kambalda in Western Australia (Figure 1). The mine provides a healthy cash flow to the Company and has significant upside for further mine life extensions.

Since commissioning the mine, exploration and development activities have resulted in the discovery of an additional 5 years of reserves increasing current mine life to at least 2011, based on reserves only, at a production rate of approximately 9,000 tonnes of nickel per annum.



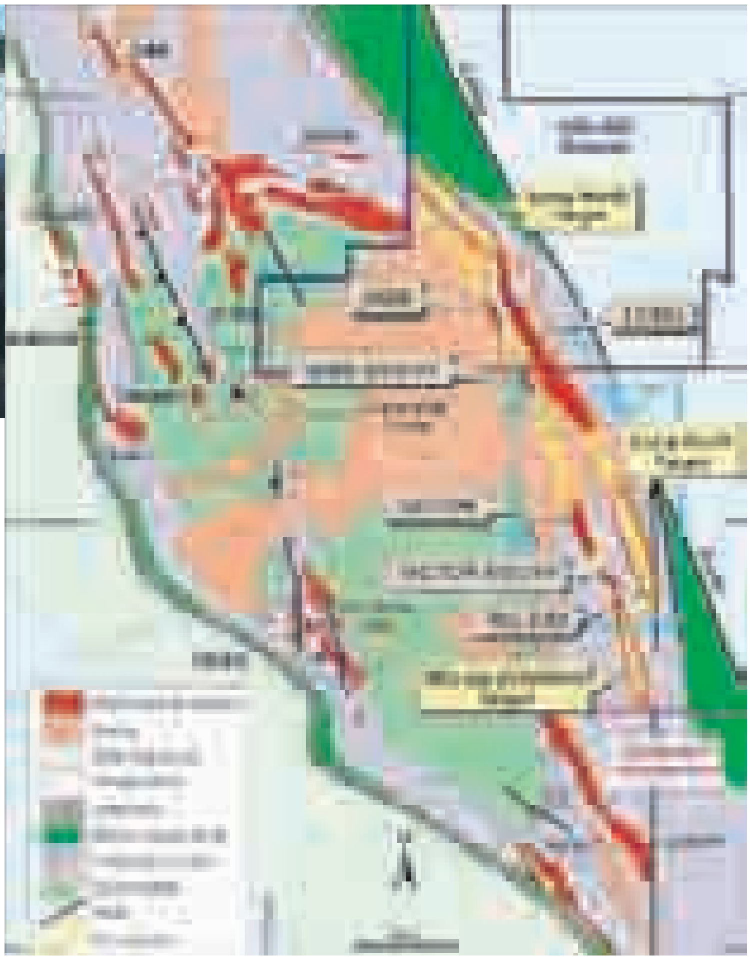


Figure 1: Long Nickel Mine - Regional Geology, Tenure and Targets

The McLeay Nickel deposit was discovered in 2005 and currently has a resource of 20,800 nickel tonnes and a reserve of 13,200 nickel tonnes and the deposit is still open to the south, east and west. Further exploration success at McLeay, Long South and Long North, also has the potential to significantly increase mine life.

Past production from the Long Nickel Mine represents the second largest concentration of nickel in the Kambalda region, and qualifies as one of WMC's longest operating nickel mines with a 21 year mine life. Total production to closure in 1999 was 5.43 million tonnes at an average reconciled grade of 3.7% nickel (203,184 nickel tonnes).

Tenure

The Long Complex assets are located on three Western Australian Mining Act (1904) Mineral Leases (ML15/158, 159 and 160), and a portion of East Location 48. East Location 48 was originally sub-leased to Independence until April 2011. During 2005/6 Independence purchased the sub-leased area and other portions of Location 48 as well as several adjoining tenements from WMC Resources Ltd. Finalisation of the transaction is pending. Location 48 is one of a number of freehold land grants created in the Eastern Goldfields district in 1890.

WMC Resources Offtake Agreement

The Company has an agreement with WMC (which is now owned by BHP Billiton) whereby the ore produced from the mine is delivered to the adjacent WMC Kambalda Nickel Operations Concentrator for toll treatment and production of nickel concentrates, which are then sold to WMC on terms set out in that agreement. The agreement expires on 27 February 2019.

Safety

The mine plan adopted by the Company incorporates a number of procedures and policies to ensure the safety of our team is not jeopardised. One Lost Time Injury ("LTI") occurred during 2006 to give a total of only three Lost Time Injuries since the mine was purchased in 2002, which is a great credit to the dedication of all personnel on site.

Lightning is committed to fulfil the obligations of the Mines Safety and Inspection Act 1994 and Regulation 1995. Lightning's safety policy requires that operators undertake regular training. Safety teams from surrounding mines have also undertaken training activities with Lightning's personnel.

The occupational health and safety regime is stated in the Lightning Nickel Safety Policy, which is based on the belief that profits can be made without compromising safety. It is management's conviction that a positive attitude is the key to any safety programme. Hazard identification, accident/incident investigation, competency training, work procedures development, competency reassessment and regular workplace inspections, are carried out with the help of every employee.

Ground Conditions and Seismicity

The risks of "mine-induced" seismicity are well known and understood at Long. The ore body is disrupted by a swarm of cross-cutting porphyries, some of which are stressed. These bodies have reacted in a consistent and predictable geotechnical fashion. When mining the discrete ore blocks within the Long Mine, procedures to manage these conditions are built into the operating standards and are well understood by our mining team.

Lightning is a sponsor of the Australian Centre for Geomechanics Research ("ACGR") seismicity research studies. ACGR and the University of Western Australia have been undertaking ground support studies at the Long Nickel Mine with the assistance of the Company's mining and geotechnical team.

Mine Work Force

Lightning currently employs 116 full-time staff and 11 full time contractors. Many employees are ex-WMC Kambalda employees, who brought a pool of sound operating knowledge, experience and skills to the mine.

Lightning's work force has been very stable with a high retention rate since the commencement of mining in October 2002. All miners apart from the hand-held team are on salary, and an incentive scheme is in place to reward the mining team when development targets are achieved.

Mine Production

Mining methods range from long-hole open stoping with mullock/sand backfill and mechanised Jumbo flat-back stoping, to hand-held mining which is utilised to extract blocks in narrow stopes not suitable for mechanisation. Where ever necessary, non-entry, mechanised mining methods are employed for safety reasons. The spacing of stoping sub-levels and other aspects of the mining methods have been designed to minimise opportunities for dilution.

Production for the year was 8,897 tonnes of nickel metal as shown in Table 1.

Not only did the Company produce 9% of its nickel from outside reserves in 2005/6, an additional 2,549 nickel tonnes (29%) were produced from within reserve blocks than was predicted by the reserve model. In total the mine produced an extra 3,360 nickel tonnes (38%) compared to ore reserve.

Independence's share of nickel produced in 2005/6 was 5,198 tonnes with 258 copper tonnes, resulting in revenue of $112.6 million.

Capitalised Development

Only development costs relating to the initial access to the McLeay and Victor South ore bodies have been capitalised. The Long South and McLeay Exploration Declines are classified as exploration expenditure. Mining at Long involves re-establishing reserve blocks which in some cases have not been in operation for more than a decade. The rehabilitation of these areas involves extensive shotcreting, re-meshing and cable bolting, and these costs have been absorbed by the mine in its operating costs.

Table 1: Long Nickel Mine - 2005/6 Ore Production

Production by Mine Method	Tonnes	Ni %	Ni Tonnes
Reserve	137,196	4.0	5,537
In addition to Reserve	101,351	3.3	3,360
TOTAL	238,547	3.7	8,897
Long (mechanised and hand-held)	145,787	3.2	4,611
Victor South (mechanised)	68,360	4.8	3,269
McLeay (development)	13,994	3.3	454
Victor (mechanised)	6,796	5.4	367
Gibb South (hand-held)	3,610	5.4	196
TOTAL	238,547	3.7	8,897

Ore Reserves and Resources

Lightning personnel, Cube Consulting Pty Ltd (ore resource consultants), and Mining One Pty Ltd (mine engineering consultants) were used to estimate JORC standard reserves and resources based on industry best practice. The resource sub-totals have been rounded.

Ore reserve tonnages and grades have been calculated at a 2.5% nickel cut-off grade in the new reserve model, which takes into account the high value of the ore, its mode of occurrence, the geotechnical considerations to ensure successful and safe mining in the geological environment, cost of production, future nickel prices, and the depths at which the operations will be conducted (Tables 2-3). The reserve was estimated using the 2D and 3D metal accumulation of grade, thickness and density, interpolated by ordinary Kriging into blocks for each mineralised surface, followed by the subtraction of porphyries, unextractable pillars and mining depletion.

Figure 2: Long Nickel Mine – Longitudinal Projection Showing Ore Reserves, Targets and Significant Intercepts Outside Current Reserves and Resources

Geophysics

A portable underground electromagnetic (“EM”) “Torch” system (analogous to a large metal detector), conductivity probes and a 3-component down-hole magnetic TEM probe, have been incorporated into the mine’s exploration program to produce real time massive and matrix nickel sulphide location information, providing a vector to the mineralisation. This has resulted in a reduction in drilled metres, allowed more accurate mine design, reduced expensive “exploration” development, and has located new ore positions in the mine environment.

Exploration

Exploration led to the discovery of the McLeay deposit, highlighted the potential both north and south of Long, and intersected previously unknown nickel sulphides outside resource and reserve boundaries. In-house geophysical expertise and technology have also directly contributed to the discovery process and improved ore delineation in a very cost effective manner.

Exploration during the year was very successful with the delineation of the high-grade McLeay deposit and the discovery of potentially economic nickel sulphides at Long South associated with a TEM anomaly.

Table 2: Long Nickel Mine – Resources

		Undiluted Resources at 1% Ni cut-off as at 30 June 2005			Undiluted Resources at 1% Ni cut-off[3] as at 30 June 2006		
		Tonnes	Ni %	Ni Tonnes	Tonnes	Ni %	Ni Tonnes
Long Shaft	Measured	357,000	7.0	25,000	**268,000**	**7.1**	**19,100**
	Indicated	399,000	5.8	23,200	**335,000**	**5.8**	**19,500**
	Inferred	33,000	4.8	1,600	**29,000**	**4.1**	**1,200**
	Sub-Total	789,000	6.3	49,800	**632,000**	**6.3**	**39,800**
Victor South	Measured	-	-	-	-	-	-
	Indicated	468,000	4.1	19,300	**422,000**	**3.8**	**16,100**
	Inferred	-	-	-	-	-	-
	Sub-Total	468,000	4.1	19,300	**422,000**	**3.8**	**16,100**
Victor	Measured	-	-	-	-	-	-
	Indicated	3,700	6.1	200	-	-	-
	Inferred	-	-	-	-	-	-
	Sub-Total	3,700	6.1	200	-	-	-
Gibb South	Measured	6,900	5.1	400	-	-	-
	Indicated	6,500	3.6	200	-	-	-
	Inferred	11,700	2.4	300	-	-	-
	Sub-Total	25,100	3.5	900	-	-	-
McLeay	Measured	-	-	-	-	-	-
	Indicated	140,000	7.0	9,800	**212,000**	**7.4**	**15,600**
	Inferred	54,000	6.0	3,200	**101,000**	**5.1**	**5,200**
	Sub-Total	194,000	6.7	13,000	**313,000**	**6.6**	**20,800**
TOTAL		1,479,800	5.6	83,200	**1,367,000**	**5.6**	**76,700**

Table 3: Long Nickel Mine - Reserves

		Mining Reserve at 2.5% Ni cut-off as at 30 June 2005 [2]			Mining Reserve at 2.5% Ni cut-off as at 30 June 2006 [2]		
		Tonnes	Ni %	Ni Tonnes	Tonnes	Ni %	Ni Tonnes
Long 12-16L	Proven	339,000	4.1	13,500	**208,000**	**4.7**	**9,800**
mechanised	Probable	180,000	3.3	5,700	**170,000**	**3.6**	**6,100**
	Sub-Total	519,000	3.8	19,200	**378,000**	**4.2**	**15,900**
Long 7-11L	Proven	27,000	3.7	1,000	**32,000**	**3.4**	**1,100**
hand-held	Probable	115,000	4.5	5,100	**129,000**	**4.3**	**5,500**
	Sub-Total	142,000	4.4	6,100	**161,000**	**4.1**	**6,600**
Victor	Proven	-	-	-	-	-	-
mechanised	Probable	6,000	3.4	200	-	-	-
	Sub-Total	6,000	3.4	200	-	-	-
Victor South	Proven	-	-	-	-	-	-
mechanised	Probable	428,000	3.6	15,600	**260,000**	**4.3**	**11,100**
	Sub-Total	428,000	3.6	15,600	**260,000**	**4.3**	**11,100**
Gibb South	Proven	4,300	3.2	140	-	-	-
hand-held	Probable	600	2.8	20	-	-	-
	Sub-Total	4,900	3.2	160	-	-	-
McLeay	Proven	-	-	-	-	-	-
mechanised	Probable	183,600	4.4	8,110	**315,000**	**4.2**	**13,200**
	Sub-Total	183,600	4.4	8,110	**315,000**	**4.2**	**13,200**
TOTAL		1,283,500	3.8	49,370	**1,114,000**	**4.2**	**46,800**

Notes:

1. The Competent Persons and Members of the AusIMM or AIG with the appropriate experience in reporting the above are Brett Hartmann and Ian Taylor of Lightning Nickel Pty Ltd and Mark Zammit of Cube Consulting Pty Ltd. Phil Bremner of Mining One Pty Ltd has verified the reserve figures.
2. Ore tonnes have been rounded to the nearest thousand tonnes and nickel tonnes have been rounded to the nearest hundred tonnes.
3. The cut-off grade used for the Victor South resource is 0.6%.

Significant potential exists to discover additional ore south of McLeay, at Long South and within the recently purchased Long North tenure.

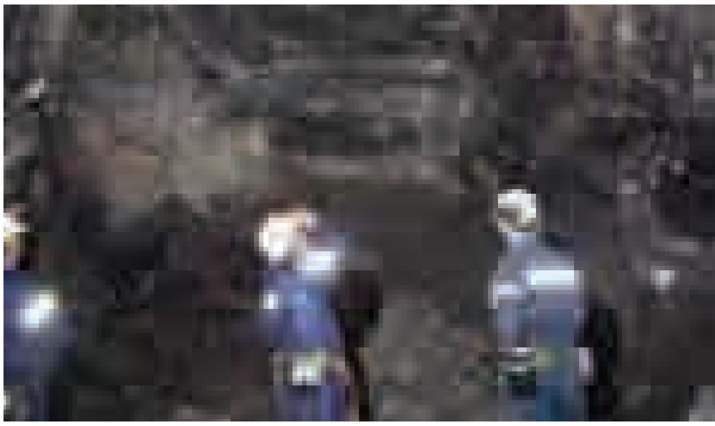
Two prospective nickeliferous lava channels have been recognised and confirmed by high magnesia ("MgO") studies (Figure 2):

Channel 1: The upper, high-tenor nickel channel is interpreted to contain from north to south, the Gibb, Gibb South, Victor, Victor South and McLeay deposits.

Channel 2: The lower, wider, moderate-tenor nickel channel contains the Long deposit and nickel sulphides at the Long North and Long South targets.

Exploration at Long targets the following:

- Mine Life Extensions - targets which have the potential to significantly increase mine life, and
- Incremental Ore - targets which may replace depleting reserves/resources in and around known orebodies.



The Company's exploration team uses the integration of geological mapping, structural studies and magnetic and electromagnetic geophysical surveys to produce a 3-dimensional picture of the ultramafic stratigraphy.

Mine Life Extension Targets

McLeay

The high-grade McLeay discovery is Independence's first new nickel sulphide deposit which had not been previously identified by WMC exploration (Figure 3). The deposit, close to existing development, remains open to the south, west and east. Geophysical surveys and drilling will continue to determine the overall size of the deposit, which has the potential to significantly add to mine life. Recent drilling has extended the McLeay Shoot 1 southern resource boundary by 65m (9m @ 4.6% Ni) and Shoot 2 boundary by 150m (16m @ 14.3% Ni), which are not yet included in quoted ore reserves or resources.

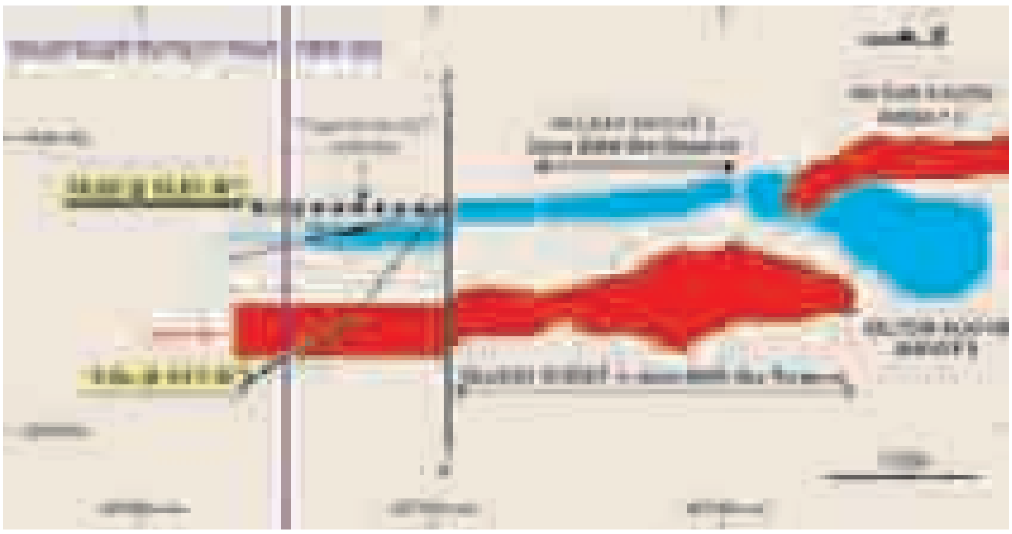
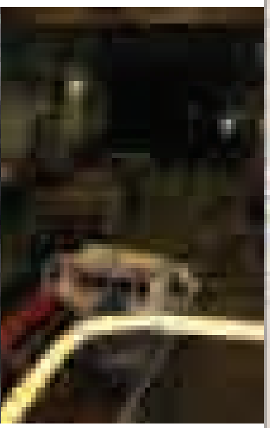


Figure 3: McLeay Shoots 1 and 2 Longitudinal Projection Showing Shoot Locations and New Extensions to the South of the Current Reserve Boundary

Long South

Drilling south of Long has previously intersected a number of nickel sulphide intercepts in the same lava channel that hosts the Long ore body (Figure 2). Based on these results, the Company developed a production scale 5 x 5.5 metre decline to drive out to and drill-test the main target area beneath Victor, Victor South and McLeay. The decline was temporarily stopped at the northern limits of the target area, where subsequent drilling intersected 2.45m @ 3.1% Ni south of the decline face and south of previously identified potentially economic intercepts of 3.6m @ 3.3% Ni and 0.76m @ 10.1% Ni. Down-hole geophysics defined a TEM conductor south of the drill-hole and decline face (Figure 4). Further drilling and decline advancement is planned in 2006/7 to enable testing of the channel further south in the middle of the target area. A large discovery would have the potential to have a significant impact on the Company's long-term future.



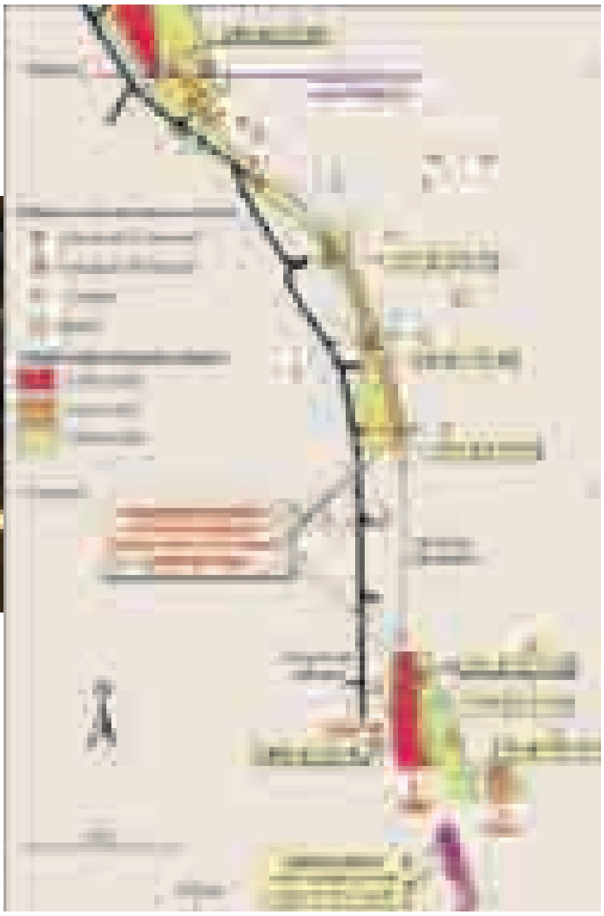


Figure 4: Long South Exploration Decline Plan Showing Significant Drill-Hole Hits and Nickel % x Thickness (m), Mineralisation Envelopes and TEM Conductor, Open to the South

Long North Target

WMC drilled two underground holes testing for nickel sulphide repetitions north of Long (Figure 2). Both holes intersected nickel sulphides and WMC down-hole TEM defined a strong off-hole conductor, 350m north of the Long 14 level development. Magnetic anomalies indicate that the ultramafics hosting Long continue north of the mine, however a thick sequence of felsic intrusives separates Long from the Long North target. A significant drilling and geophysical program north of the mine is planned.

Gibb North Target

Potential exists for other high-tenor nickel sulphide deposits within the Gibb-Victor channel north of Gibb. Surface TEM and underground drilling followed by down-hole TEM are planned to test this prospective corridor.

Incremental Ore Targets

Long Nickel Deposit

Approximately 17,300 nickel tonnes occur in resources in addition to the 22,500 nickel tonnes in the Long deposit reserves. Systematic drill-testing is planned for 2006/7 to convert resources to reserves. Completion of this testing may take a number of years.

Victor Target

Potential exists for new nickel sulphide resources between Victor and Victor South. Drilling is planned for 2006/7 to test this area.

"Targeting New Deposits"

IGO targets ore deposit types amenable to rapid evaluation and project turnover and that have the potential to be brought into production within a short time-frame. The commodity focus is based on the wealth of experience and technical expertise within the Group and the country focus is also based on careful consideration of endowment, political risk and operational logistics, based primarily on in-house experience.

Philosophy

Independence Group ("IGO") is focused on creating shareholder wealth through the discovery of large high-grade gold or nickel deposits. Given exploration is high risk, IGO has developed a set of principles to manage this risk and improve the chances of success.

IGO targets ore deposit types amenable to rapid evaluation and project turnover and that have the potential to be brought into production within a short time-frame. The commodity focus is based on the wealth of experience and technical expertise within the Group and the country focus is also based on careful consideration of endowment, political risk and operational logistics, based primarily on in-house experience.

The key to the Company's exploration objective is to continuously identify, secure and explore the most prospective targets. At the project stage, ongoing critical assessment of multi-disciplinary exploration results maximises the chance of meeting this objective. Independence is continuously seeking to utilise new and innovative technology and ideas to improve its chances of discovery.

2006/7 Exploration

A significant proportion of Australian mineral fields are under sand, lake or younger rock cover, which hinders many standard exploration techniques. Many opportunities exist in these areas to locate large ore bodies close to existing infrastructure, using improved or new exploration technology and concepts.

The Company's exploration budget for 2006/7 is allocated as follows and includes the Long South decline development cost:

	2005/6 Expenditure	2006/7 Budget
Regional nickel exploration	2.4m	3.2m
Regional gold exploration	2.4m	2.5m
Long mine/near-mine exploration	1.9m	3.3m
Long South and other exploration declines	4.5m	4.0m
Total	$11.2m	$13.0m

Investment in exploration by IGO and its partners over the past twelve months has advanced a number of exciting projects including McLeay (Ni), Long South (Ni), Tropicana Joint Venture (Au), Cobar (Au), Dalwallinu (Au) and the Ravensthorpe Option (Ni).

As more of the Company's long-standing tenements are now being granted, 2006/7 will see a shift towards more advanced exploration programs, including a significant commitment to drilling high priority targets.

New Exploration Technology and Techniques

The technical and research relationships IGO have developed have produced a number of new and improved tools, particularly in the field of geophysics, both for in-mine use and for regional exploration. Of particular note is the development of the EM Torch System and advancements in surface and down-hole magnetic TEM ("MTEM") systems and processing.

MTEM systems provide the advantage of being able to identify bodies of conductive nickel sulphides in the highly-conductive regolith and salty groundwater environments of Western Australia, including beneath the extensive salt lake cover. Conventional EM systems do not work in these types of environments. The advances in the technology and processing also enable the systems to effectively "see deeper" and provide better discrimination of anomalies associated with non-economic geological features such as conductive shales.

IGO also has an agreement with Anglo American Exploration (Australia) Pty Ltd ("AAE"), which gives IGO the exclusive licence to use AAE's new "SQUID" technology to explore for nickel in specified areas of the Yilgarn Block in Western Australia. The region for which IGO has the exclusive licence is considered to be highly prospective for nickel sulphides.

The low-temperature SQUID has 5 to 10 times the sensitivity of other TEM sensors presently used, and as such is expected to provide considerable advantage in discovering highly-conductive (high-tenor massive nickel sulphide) bodies under highly-conductive cover, such as salt lakes, conductive clays and in terrains containing shallow highly-saline groundwater. A large amount of prospective ultramafic stratigraphy is known to exist under areas such as these in the Yilgarn.

IGO is also currently sponsoring post-graduate research in relation to specific styles of high-level gold and base metal mineralising systems and is involved in a number of collaborative research projects.

IGO has invested in its own key geophysical equipment and dedicated geophysical crews are employed to operate this equipment. This makes IGO a more efficient explorer and it also serves to make IGO a preferred joint venture partner enabling access to more prospective areas.

Regional Nickel Exploration Projects

Previous Exploration History

The Company commenced regional nickel exploration in July 2003 with the aim of discovering new high-grade low-cost nickel mines in the Yilgarn block. Accumulated expenditure to 30 June 2006 was $4.3 million. Targets to date include blind nickel sulphides in known belts and new potential nickel sulphide camps. Twelve conductors have been identified to date which require follow-up.

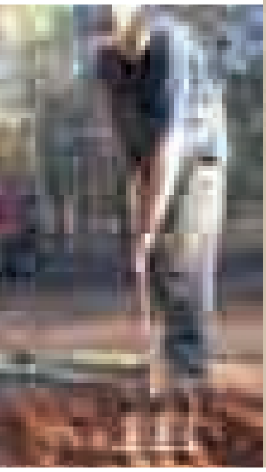


Figure 5: Nickel Project Locations

DUKETON JOINT VENTURE

Commodity:	Nickel
Project Generation:	Conceptually Targeted
IGO:	Earning 70% Nickel Rights (South Boulder Mines Ltd Diluting)
Geological Setting:	Under-explored Archaean Ultramafic Belt

IGO has an agreement with South Boulder Mines Ltd to earn 70% of the nickel rights on its tenements in the Duketon greenstone belt.

The Duketon belt, situated between Windarra and BHP Billiton's Collurabbie discovery is considered highly-prospective for nickel sulphide deposits and has seen little nickel exploration using modern technology. It is believed the extensive transported cover in the belt has significantly hindered previous explorers, and the application of new technology by IGO will give the joint venture an advantage in this terrain.

IGO is free to nominate tenements to be included in the joint venture from all existing and future tenements held by South Boulder in the defined area.

Camp Oven Prospect

Previous rock chip sampling of a small exposure of weathered olivine cumulate ultramafic returned strongly anomalous results including 2.3% Cu, 0.9% Ni, 0.7g/t Pt, 0.7g/t Pd and 0.4g/t Au. Soil and lag geochemical surveys along strike from the outcrop supports this anomalism, with results up to 0.34% Ni, 406ppm Cu and 140ppb Pd. The strongly anomalous rock chips have yet to be drill-tested.

Bulge Prospect

TEM surveying at the Bulge prospect, 14km south of Camp Oven, has delineated strong bedrock conductors associated with the margins of interpreted ultramafic stratigraphy beneath transported cover. The morphology of the ultramafic body suggests a thickening in the vicinity of the conductors, possibly representing a channel or feeder conduit setting which is very favourable for nickel sulphide mineralisation. Heritage clearance has been obtained and the anomalies are scheduled to be drill tested in 2006/7.

IRWIN BORE, MT TATE & NEW TAFFY WELL JOINT VENTURES

Commodity:	Nickel
Project Generation:	Conceptually Targeted
IGO:	Earning 70% Nickel Rights (Cullen Resources Ltd and Western Australian Resources Ltd Diluting)
Geological Setting:	Under-explored Archaean Ultramafic Belt

IGO has an agreement with Cullen Resources Limited (Cullen) to explore for nickel on its 90%-owned Irwin Bore and 100%-owned Mt Tate projects. The remaining 10% of the Irwin Bore project is held by Western Australian Resources Ltd. The two project areas adjoin the Cullen-BHP Billiton Ltd Gunbarrel Joint Venture, where BHP Billiton has discovered massive nickel sulphide mineralisation at the AK47 prospect. The Irwin Bore and Mt Tate projects cover strike extensions to the prospective ultramafic stratigraphy at AK47 (Figure 6).

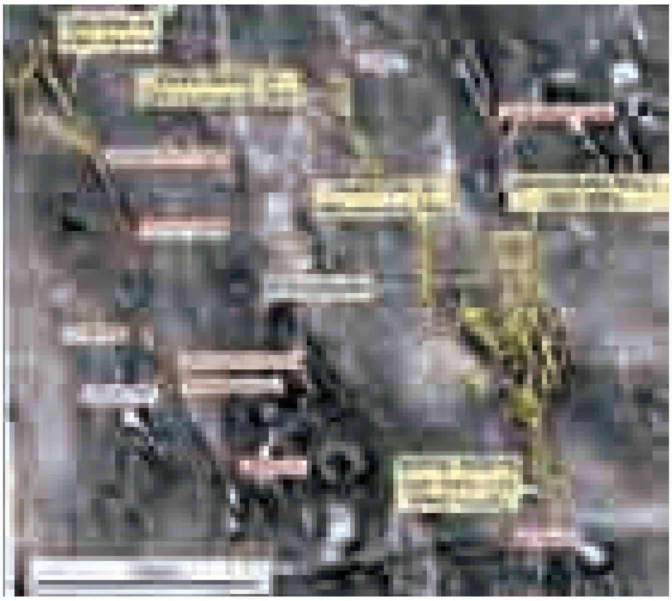


Figure 6: North-East Goldfields Regional Nickel Project Locations

At Irwin Bore wide-spaced soil geochemical sampling and EM surveys have been completed over the interpreted location of prospective ultramafic sequence within the JV area. Geochemical results confirmed the nickel sulphide prospectivity of the belt, returning peak responses of 1050ppm Ni, 164ppm Cu, 1790ppm Cr, 37ppb Pd and 34ppb Pt.

Numerous EM conductors were located and a total of 9 were tested by a program of RC drilling. Most conductors were determined to be due to faults or conductive metasediment horizons. One conductor was not explained and further evaluation the EM data indicates that it is deeper than previously modelled. A follow-up deeper hole is planned to intersect the conductor at a vertical depth of 220m.

EM surveying over the Mt Tate tenement (E53/1096) has identified a bedrock conductor, which has modelled dimensions of 420m, along strike and 500m down-dip at the contact of interpreted ultramafic stratigraphy under thin cover. Nearby historic drilling by CRA Exploration Ltd returned up to 5,270ppm Ni and 2,263ppm Cu suggesting the presence of nickel sulphide mineralisation. Drill-testing of this target has been scheduled.

WILUNA OPTION

Commodity:	Nickel
Project Generation:	World Class Komatiic Belt
IGO:	Option to Earn up to 70% Nickel Rights (Agincourt Resources Ltd Diluting)
Geological Setting:	Under-explored Archaean Ultramafic Belt

IGO has entered into an option agreement with Agincourt Resources Limited ("AGC") over a portion of their extensive tenement package located on the northern end of Agnew-Wiluna Greenstone Belt. The Agnew-Wiluna Greenstone Belt is one of the most highly endowed nickel sulphide belts in the world, containing such deposits as Mt Keith (2.3M Ni t), Leinster (1.7M Ni t), Cosmos group (0.4M Ni t) and Honeymoon Well (1M Ni t).

IGO has until November 2006 to evaluate a minimum of six priority target zones and must spend at least $120,000. IGO can then elect to enter into a Joint Venture whereby it may earn 51% in the nickel sulphide rights by expenditure of $3,000,000 within 3 years. Upon earning 51%, IGO may elect to increase its equity to 70% by spending a further $1,500,000 over the following 2 years, at which point AGC will be free-carried to a decision to mine.

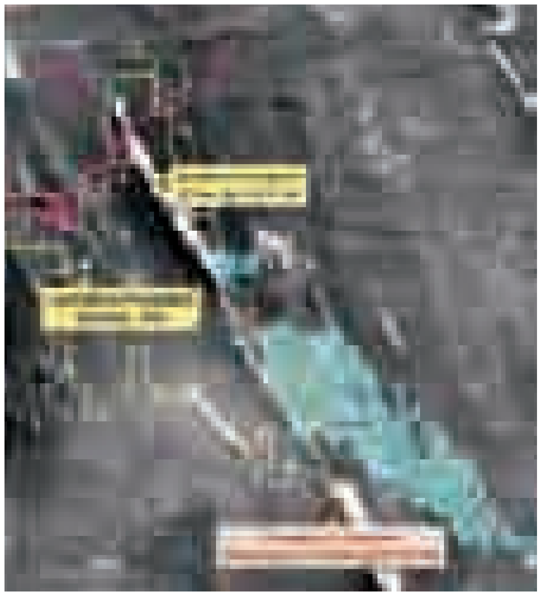


Figure 7: Wiluna Nickel Option – Location Over Magnetic Image

The AGC tenure covers approximately 40kms of strike of the ultramafic trend immediately north of Honeymoon Well and the Wedgetail Deposit (1Mt @ 6.9% Ni). Past exploration within the tenure was largely focused on gold mineralisation. Cursory nickel sulphide exploration in the past has located nickel sulphide mineralisation, including the Bodkin prospect which returned 0.3m @ 6.6% Ni within the basal section of a flat-lying ultramafic (Figure 7).

Some of the tenure covers prospective ultramafic lithologies beneath conductive cover in and around Lake Way, a salt lake. Conventional EM techniques are ineffective in these areas and IGO has the potential to use the low temperature SQUID EM device under its exclusive licence with Anglo American Exploration (Australia) Pty Ltd. The SQUID is ideally suited to exploring beneath conductive cover. IGO will also evaluate the potential of the ultramafic sequence that is interpreted to extend under Proterozoic cover to the north of the project, which has yet to be effectively explored.

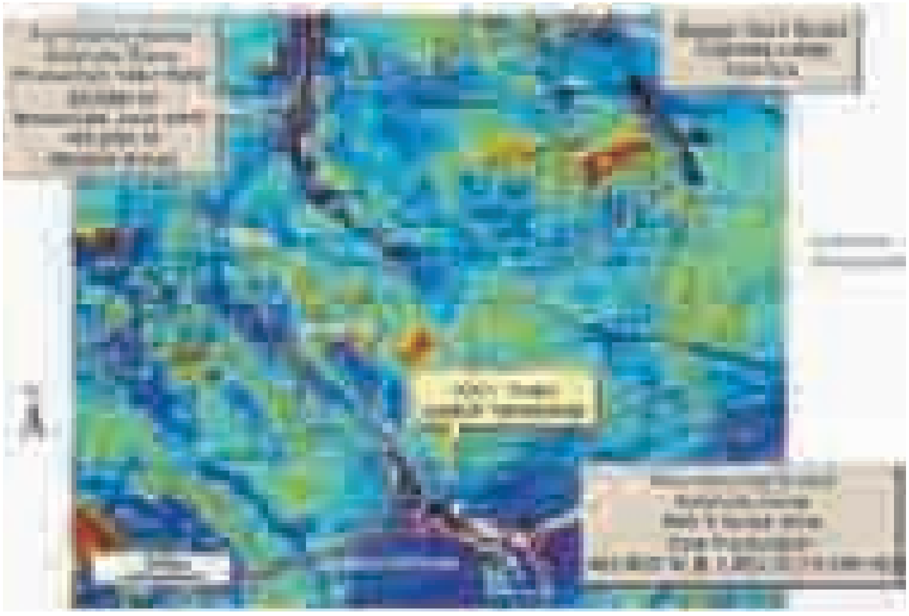
IGO has commenced compiling all previous exploration data to prioritise target areas. Field follow-up including surface geochemistry and EM surveying has been scheduled.

RAVENSTHORPE OPTION

Commodity:	Nickel
Project Generation:	Endowed Nickel Belt
IGO:	Option To Earn 51% Nickel Rights (Traka Resources Ltd Diluting)
Geological Setting:	Under-explored Archaean Ultramafic Belt

IGO has an option to earn a 51% interest in Traka Resources Limited's ("Traka") Ravensthorpe Nickel Project (excluding nickel laterite and iron ore rights). IGO has committed to spend $1.5 million on the project by December 2006.

The project tenure covers about 60 kilometres of prospective ultramafic stratigraphy along strike from the RAV8 deposit, which produced 443,000t at 3.46% Ni for 15,350t Ni (*Tectonic Quarterly Report 30 June 2005*).



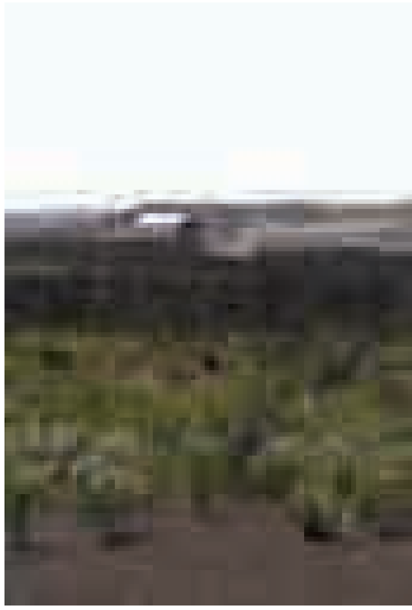


Figure 8: Aeromagnetic Image Showing Location of Ravensthorpe and Forrestania Greenstone Belts

The Ravensthorpe Greenstone Belt is interpreted to be equivalent stratigraphically to the Forrestania Greenstone Belt (Figure 8) which contains numerous deposits, including the Flying Fox T5 nickel deposit (Probable Ore Reserve of 843,000t @ 5.9% Ni containing 47,500t of nickel metal - Western Areas NL website).

Historic work in the project area has identified numerous prospects containing nickel sulphides, many of which have been inadequately tested or closed off by drilling. Similarly much of the ultramafic stratigraphy, particularly in the NW portion of the project area, has yet to be tested for nickel mineralisation using modern techniques.

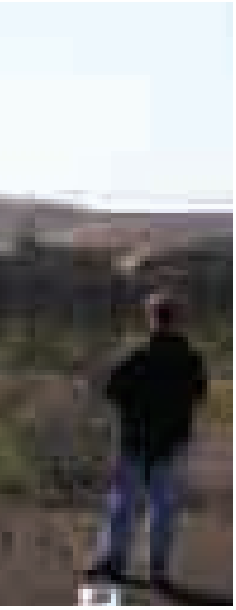
Follow-up EM was completed over geological, geophysical and geochemical targets in the Mt Short and Jerdacuttup areas to assist in drill-hole targeting.

It has been determined that nickel sulphide mineralisation in the Jerdacuttup area including the RAV8 orebody has undergone widespread supergene alteration to violarite. This alteration has little effect on the economic properties of mineralisation but it does significantly reduce its conductivity. Consequently mineralisation is likely to only produce a very subtle response in EM surveys and close integration with other datasets is required to discriminate targets. A total of 5 targets from 13 anomalies followed up have been selected for drill-testing. These targets are all located to the southeast and west of the RAV4 West prospect.

At Mt Short, where supergene alteration is believed to be less prevalent, 19 detailed follow-up EM traverses have resulted in the selection of 14 bedrock conductors for drill-testing.

Further drilling (10 holes for 1,100m) is planned at RAV4 West where previous intercepts include 3.4m @ 3.2% Ni, 2.4m @ 6.5% Ni and 2.6m @ 7.9% Ni. Mineralisation is open both up and down-dip and plunge and the prospect is considered to have good potential for shallow mineralisation that could be economically exploited. Drill-testing of all targets has been scheduled.

LEFROY JOINT VENTURES



Commodity:	Nickel
Project Generation:	Conceptually Targeted
IGO:	Earning 80% (Excalibur Mining Corporation Limited Diluting)
IGO :	Earning 80% (Yamarna Goldfields Limited Diluting)
IGO:	Earning 100% Equity Subject To Gold Claw-back Rights (Anglogold Ashanti Australia Limited Diluting)
Geological Setting:	Interpreted Archaean Ultramafic Belt Beneath Conductive Cover

Through a JV and option arrangement, IGO has acquired tenure covering magnetic features interpreted to be potentially prospective ultramafic stratigraphy under the Lake Lefroy salt lake 15–30 kms east of Kambalda. The stratigraphy and structural setting of these features is possibly analogous to the Kambalda Dome Nickel Camp. Various targets are currently being tested utilizing AAE's SQUID TEM sensor under the IGO/AAE SQUID licence. Exploration progress over the last 12 months has been slower that anticipated due to unusually wet conditions on the Lakes. Approximately 50% of the target areas have been tested and a strong conductor associated with ultramafic stratigraphy on the flanks of a small interpreted dome has been identified within the Excalibur JV area. This conductor is scheduled for testing following heritage clearance.

STORBODSUND JOINT VENTURE

Commodity:	Nickel
Project Generation:	Strategic Review
IGO:	Earning 70% (Mawson Resources Ltd Diluting)
Geological Setting:	Proterozoic Mafic Intrusives With Basal Massive Sulphides

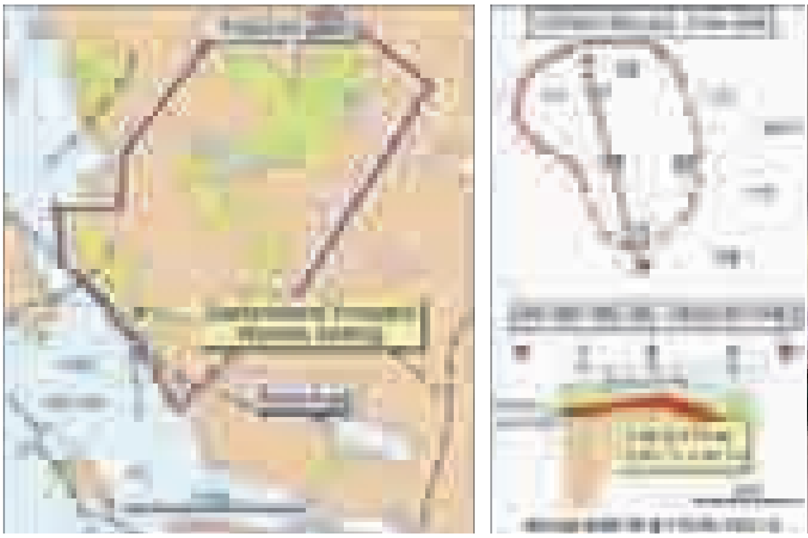
IGO has reached agreement with Mawson Resources Ltd, a TSX listed company, to earn a 70% interest in their Storbodsund Nickel-Copper-Cobalt Project in northern Sweden by expenditure of A$2 million over 4 years. Upon transfer of the 70% interest IGO must pay Mawson A$300,000. IGO must spend a minimum of A$80,000 within 12 months before it may withdraw from the Joint Venture. Sweden has a progressive Mining Act and the Government is strongly supportive of exploration and mining development. The Swedish corporate tax rate is 28% and there are no mining royalties on minerals.

The Storbodsund Project was first discovered in the 1940's by following-up nickel sulphide boulders in glacial till. Ten holes were drilled over a 2,500 metre square area defining a flat sheet of semi-massive sulphide lying 6-10m below surface. Government reports indicate that five holes intersected mineralisation averaging 2.3% Ni and 0.6% Cu over thicknesses of 0.6 to 2.7m (Figure 9). Mineralisation is located at the contact between a gabbro and a granitoid footwall. Strong assimilation of country rock within the host gabbro is indicative of a feeder dyke setting similar to other gabbroic hosted nickel deposits such as Voisey's Bay.

Interpretation of aeromagnetic data indicates that the host intrusion continues under cover for 10km to the north east.

A field check has been undertaken to review historical company exploration reports that are not in the public domain, confirm collar locations and sample preserved core from the historic drilling. The reports indicate that additional work in the 1970's located two further zones of shallow mineralisation associated with IP anomalies within 400m of the initial discovery. Several other IP anomalies were identified but not followed-up by drilling. Check-assaying has confirmed the tenor of nickel and copper mineralisation reported from historic drilling.

This project, with ubiquitous thin resistive till cover, is ideally suited to rapid evaluation by airborne EM. Orientation lines will be flown over the known mineralisation followed by a complete airborne EM survey over the interpreted extent of the prospective gabbroic intrusion.



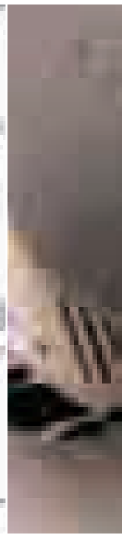


Figure 9: Storbodsund Nickel Prospect Location in Relation to Prospective Gabbro Intrusives

MUSGRAVE SA JOINT VENTURE

Commodity:	Nickel, Gold & Base Metals
Project Generation:	Conceptually Targeted
IGO:	Earning 51% Equity (Goldsearch Limited Diluting)
Geological Setting:	Under-explored Proterozoic Musgrave Complex

IGO is earning a 51% interest in tenements and applications covering approximately 18,000 square kilometres of the South Australian portion of the Musgrave Block. Most of the tenure is held within the freehold Anagu Pintjatjatjara Lands and is yet to be granted. Meetings have been held with the Traditional Owners and tenements are expected to be granted in late 2006.

The main target is nickel sulphide mineralisation associated with the 1080Ma Giles Complex and associated mafic and ultramafic intrusive rocks, equivalent to those hosting WMC's Nebo and Babel Sulphide Ni-Cu-PGE discoveries in Western Australia. The Giles Complex is one of the largest mafic intrusive complexes, and due to its remote location has only been subject to cursory exploration in the past. Limited work in the 1970's has confirmed a nickel sulphide occurrence within the JV tenure.

OTHER NICKEL PROJECTS

The Company also holds tenure in numerous other nickel project areas (Figure 5).

Previous Exploration History

Since 2001 IGO has spent $9.4 million exploring for gold in Australia predominantly focusing on WMC data base and conceptual greenfields targets. At Tropicana, a large gold system has been defined which may lead to economic mineralisation.

Work is continuing on the Tropicana, Mt Isdell, Mt Padbury, Cobar, Coomberdale and Dalwallinu projects. Over the last 6 months 11 gold projects have been relinquished, leaving 9 regional gold plays, excluding Tropicana which is managed by AngloGold Ashanti Australia Limited.

Future Investment Strategy

One of the Company's strengths is underground mining and IGO is targeting the delineation of high-grade/low cost resources close to existing mills. Conceptual targeting using in-house Au distribution criteria and stress analysis are being used to generate new high-quality targets in Australia, especially in the less explored states of Queensland and NSW.

Figure 10: Gold and Base Metal Project Locations

TROPICANA JOINT VENTURE

Commodity:	Gold
Project Generation:	Conceptually Targeted
Target:	Multi-million Ounce Gold Deposit
IGO:	30% Free Carried To End Of Pre-feasibility (Manager: Anglogold Ashanti Australia Limited 70%)
Geological Setting:	Yilgarn Craton – Fraser Range Mobile Belt Collision Zone

The Tropicana Joint Venture comprises approximately 12,260 km^2 of largely unexplored tenure over a strike length of 330km along the Yilgarn Craton – Fraser Range Mobile Belt collision zone (Figure 11).

AngloGold Ashanti is systematically undertaking first pass testing of the entire project area using a combination of surface geochemistry and shallow reconnaissance-style drilling. Approximately 52% of the project area has been covered to date, generating numerous anomalies which are currently being followed-up.

This work has resulted in the discovery of the Tropicana Prospect located towards the northern end of the project area.

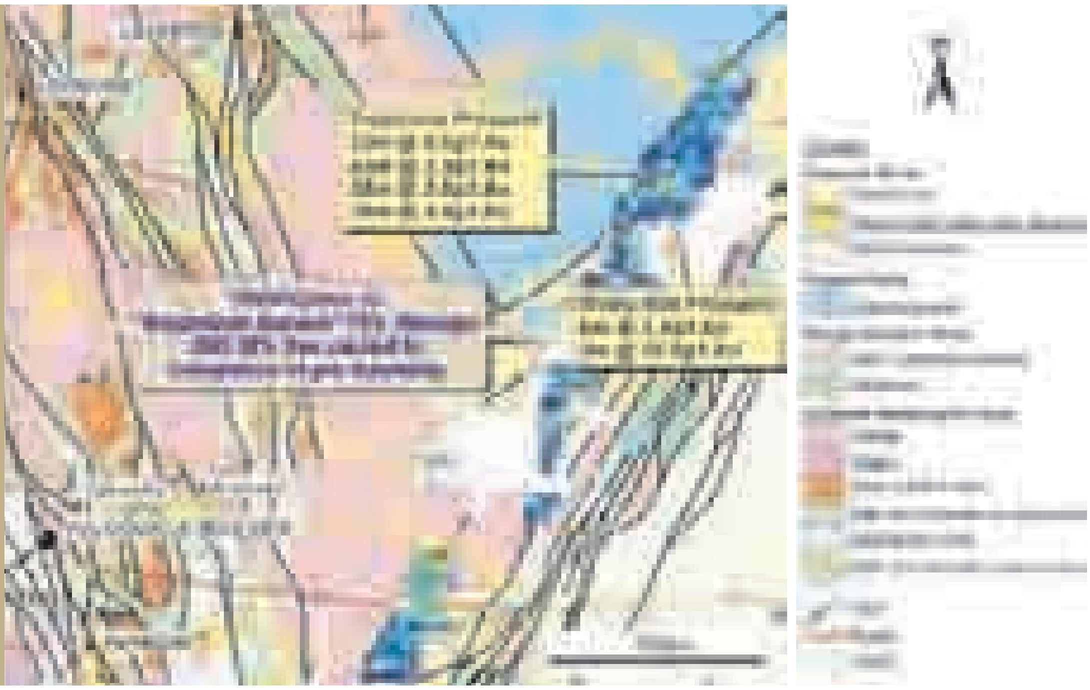


Figure 11: Tropicana JV Tenure and Gold Geochemical Anomalies Over the Yilgarn Craton-Fraser Range Mobile Belt Collision Zone

This report contains information current to the end of August 2006. Please see ASX announcements lodged since this date for subsequent results.

Tropicana Prospect

The Tropicana Prospect comprises an extensive gold mineralised system up to several kilometres in strike length, over which ongoing exploration is targeting a multi-million ounce gold deposit (Figure 12).

Exploration continues to generate exciting gold results, including significant intersections from a newly discovered zone of mineralisation, the Havana Zone. Havana is located 1.1km south of previously identified mineralisation at the Tropicana Zone.

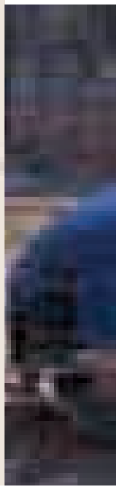
Tropicana Zone

Infill drilling on a 100m x 100m grid continues to intersect significant gold mineralisation, open down plunge and to the south. The northern extent of the system is terminated by a fault. Further drilling is required to determine whether gold mineralisation occurs north-east of this fault. Significant new drill intercepts include:

- TPRC021D 29m @ 4.4g/t Au from 219m including 19m @ 6.3g/t Au
- TPD013 34m @ 4.0g/t Au from 42m (TPRC031 twin)
- TPD024 13m @ 5.0g/t Au from 71m
- TPRC079D 25m @ 2.0g/t Au from 160m

Gold mineralisation at the Tropicana Zone has now been defined over a 1,400 metre strike length (10 gram metre contour) to a vertical depth of 214m, with a down-dip length of 350m. The dip and width of mineralisation indicate the potential for open-cut ore mining widths up to 70m (Figure 13). The intercept in TPRC021D of 19m @ 6.3g/t Au (true width) approximately 200m beneath the surface, also indicates potential for underground mining (Figure 14).

Figure 12: Tropicana JV – Tropicana Prospect Plan Showing Significant Intercept Locations, g/t Au x m Thickness Contours, and Location of Havana Zone



Havana Zone

The Havana Zone is centred 1.1km south-west of the Tropicana Zone and was discovered by first-pass soil sampling and 200m x 200m vertical aircore drilling. To date 35 reverse circulation ("RC") and 3 diamond tails have been drilled at the prospect on a 200m x 100m grid. Results have been received for 10 RC holes, 4 of which intersected significant gold mineralisation (Figure 15). These holes contain multiple separate zones containing potentially economic widths in excess of 10m as follows:

- TPRC137 - 15m @ 1.9g/t Au from 58m (including 11m @ 2.4g/t Au) and 20m @ 2.1g/t Au from 76m
- TPRC139D - 24m @ 1.7g/t Au (including 10m @ 3.0g/t Au from 124m)
- TPRC142 - 23m @ 1.8g/t Au from 86m (including 14m @ 2.5g/t Au) and 26m @ 2.0g/t Au from 142m (including 14m @ 3.1g/t Au from 151m)

Alteration and host rocks at Havana are similar to those at the Tropicana Zone, with mineralisation hosted by biotite/pyrite/sericite-altered quartz–feldspar gneiss. Gold mineralisation is also inferred to be of a similar orientation to that at Tropicana (ie. striking north-easterly, dipping at 30^{o} to the south-east), however it is possible that the mineralised zone may strike in a slightly more northerly direction and hence intercepts may not represent true widths. Current diamond and RC drilling will enable further interpretation of the orientation of the mineralisation.

Drilling is continuing to determine the strike and down-dip extent of the gold system at Havana.

Figure 13: Tropicana JV – Tropicana Zone TPRC030 – TPRC079D
Cross-Section Showing Significant Drill-Hole Results

Figure 14: Tropicana JV – Tropicana Zone TPRC019 – TPRC021D
Cross-Section Showing Significant Drill-Hole Results

Figure 15: Tropicana JV – Havana Zone TPRC140 – TPRC142
Cross-Section Showing Significant Drill-Hole Results

DALWALLINU

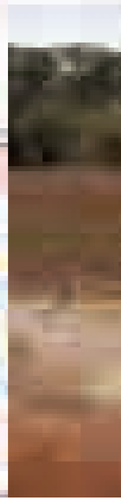
Commodity:	Gold
Project Generation:	Conceptually Targeted
Target:	0.5M Oz Archaean Gold Deposit
IGO:	100%
Geological Setting:	Under-explored Archaean Gneiss And Greenstone

The Dalwallinu Project is located approximately 200km north-north-east of Perth within Archaean gneiss and greenstone (Figure 16). The Mt Gibson gold mine (1 million oz) lies 60km to the north-east and the Wongan Hills greenstone belt lies immediately south of the project area.

Work during the year has focused on delineating and extending newly discovered high-grade gold shoots at the Pithara Prospect. In addition, further regional maglag roadside sampling was completed along with auger/maglag sampling at the Wongan North and Wilgie Hill prospects.

Close-spaced aero-magnetic surveys over both the Pithara and Wongan North prospects were completed in conjunction with a major survey designed to give complete coverage of the project area.

Figure 16: Dalwallinu and Coomberdale Location Plan and Auger Geochemical Gold Anomalies



Pithara

Shallow air-core drilling over the gold-in-auger anomalism delineated a set of north-trending south-plunging faulted high-grade gold shoots on the contact, between monzogranite and amphibolite. Intercepts include:

- 9m @ 6.3 g/t Au from 19m (PTA052)
- 3m @ 33.5 g/t Au from 12m (PTA055)
- 7m @ 21.8 g/t Au from 20m (PTA055)

RC confirmation drilling returned 7m @ 30.1 g/t Au from 46m (PTRC035).

The gold zone, which has a strike length of 60-80m, is fault terminated to the south and is associated with pyrite and strong potassic and silica alteration.

The widespread nature of the surface gold anomalism along with shallow regolith RAB drilling (gold to 200ppb at cover/basement interface), has confirmed the zone is continuous to the north and south under cover. An extensive shallow RAB drill program is planned to test 20km of potential strike (including the Wilgie Hill area).

Wongan North

Follow-up auger and maglag geochemistry to previously defined roadside gold anomalism, has delineated a gold-copper-arsenic target over interpreted Archaean greenstone, some 20km north of the town of Wongan Hills. Gold-in-auger (max. 69.1 ppb) and maglag (max. 20ppb) surface anomalism occurs as a semi-continuous north trending zone over a 3km strike length. RAB drilling is planned to test the peak gold surface anomalism.

Wilgie Hill

Further roadside maglag sampling has confirmed previous low level gold soil anomalism (max. 9 ppb) with values to 7ppb in cover some 8km north of the Pithara prospect.

COOMBERDALE

Commodity:	Gold And Nickel
Project Generation:	De Beers Diamond Database
Target:	0.5M Oz Archaean Gold Deposit
IGO:	100%
Geological Setting:	Under-explored Archaean Gneiss And Greenstone

Ongoing regional targeting has identified a gold anomalous trend in the Coomberdale area, approximately 65 km west of the Dalwallinu Project (Figure 16).

Auger sampling on 200m by 50m spacing returned strong gold anomalism over an area of 4km x 1km (5ppb Au contour) with values up to 56.1ppb Au on farmland 20km northeast of the town of Moora. Roadside rock chip sampling returned values to 1.8g/t Au associated with sericite-limonite altered sheared float along the same trend.

The gold anomalous zone is interpreted to be associated with a significant shear zone parallel and within a north-trending belt of Archaean greenstone, defined from GSWA mapping and high definition aero-magnetics completed during 2005. Two new applications increased the ground holding to 660km^2, covering the inferred north extension of the greenstone belt giving a potential 70km of strike.

Targets defined by further infill auger/maglag sampling will be tested by first-pass RAB drilling. No previous drilling has been completed within the project area.

MT PADBURY JOINT VENTURE

Commodity:	Gold
Project Generation:	Conceptually Targeted
Target:	High-grade Opencut/Underground Gold Mine
IGO:	90%
Geological Setting:	Narracoota Volcanics Within The Bryah Palaeoproterozoic Basin

The Mt Padbury Project is located approximately 35km south of the recently recommissioned Fortnum Gold Mine and comprises mafic and ultramafic rocks of the Narracoota Volcanics, which host the mineralisation at Fortnum. Detailed drilling by Meteoric Resources on the Harrod Prospect immediately north and west of the project boundary has returned significant gold mineralisation, as conjugate north-east and north-west trending vein sets in metasediments within a north-trending gold mineralised corridor. Recent values reported by Meteoric Resources NL (*Meteoric's June 2006 Quarterly Report*) include 7m @ 13.4g/t Au and 10m @ 7.1g/t Au.

Regional 400m x 400m lag sampling and 100m infill sampling at Mt Padbury delineated a number of high order gold +/- arsenic anomalies, three of which have been tested by RAB drilling.

The Wood Creek Prospect returned strong gold–in-oxide anomalism from shallow drilling over two traverses. A single traverse over 400m in length returned gold anomalism over a width of 150m within an altered mafic volcanic (sheeted vein sets and stock-working) unit, hosted in a wide sequence of talc carbonate and chlorite schists. A major shear striking north-west attenuates the mafic unit to the north. The mineralised zone is completely open to the north-west, south and south-east under cover. Results include:

- 17m @ 1.0g/t Au
- 4m @ 3.8 g/t Au
- 5m @ 1.1 g/t Au
- 9m @ 0.8 g/t Au
- 4m @ 1.5 g/t Au

Follow-up drilling has been scheduled.

COBAR

Commodity:	Gold And Base Metals
Project Generation:	Conceptually Targeted
Target:	>0.5M Oz High-grade Gold Deposit, Cobar-style Sediment-Hosted Base Metals
IGO:	100%
Geological Setting:	Ordovician And Devonian Basin Margins Within The Northwest Portion Of The Lachlan Gold Belt

The Cobar project comprises 7 exploration licences and applications (2250km^2) covering conceptual and empirical gold and base metal targets along basin margin faults in the Cobar mining district in NSW (Figure 17). Cobar is one of the most endowed metallogenic provinces in Australia and includes mines such as the Peak Gold Mine (Au), Elura (Zn-Pb-Ag), CSA (Cu-Pb-Zn-Ag), New Occidental (Au), Tritton (Cu) and the Hera discovery (Au-Pb-Zn).

First pass 800m x 200m surface sampling has been completed over priority areas in five tenements, with 18,000 samples collected from 6,000 sites over a 10 month period. This has generated 37 high priority gold, gold/base metal and base metal targets/anomalies.

The largest gold target is King George which occurs over a strike length of 8km and is associated with strongly silicified multiple fault sets similar in style to known mineralisation at Cobar. Gold values to 42ppb have strong correlation to lead, copper and arsenic. Other peak gold values include 641ppb, 512ppb and 90ppb.

Systematic ground follow-up including mapping and infill sampling of anomalies has commenced, in preparation for drill-testing by June 2007.

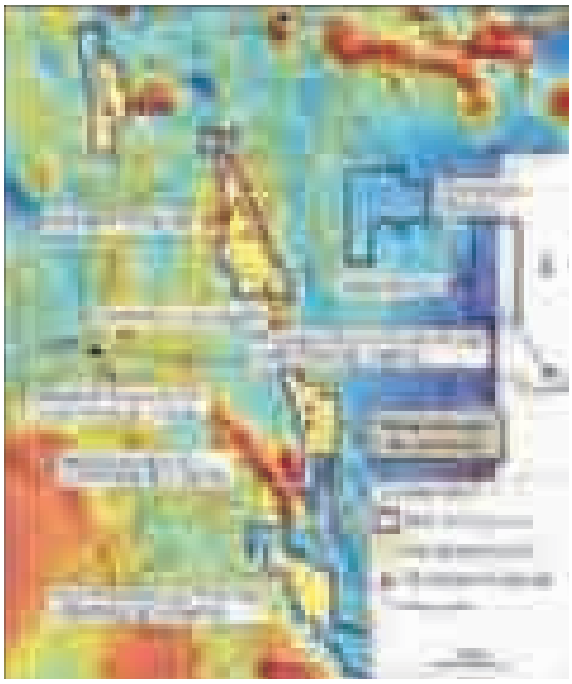


Figure 17: Cobar Project Location Plan Showing IGO Tenure, Major Mines, Geochemical Coverage and Surface Gold Anomalies Over Aeromagnetic Image

EMPRESS SPRINGS

Commodity:	Gold
Project Generation:	Conceptually Targeted
IGO:	100%
Geological Setting:	Mesothermal Vein Arrays In Proterozoic Felsic Volcanics And Granites

Conceptual targeting under cover has resulted in the interpretation of an extensive zone of complex faulting and veining some 60km south of the Croydon Gold Field (historic production 0.8 million oz Au) on the western portion of the Proterozoic Georgetown Inlier in Central North Queensland.

North-west and north-trending structural zones within inferred Proterozoic felsic volcanics and granites display similar, though generally higher order, magnetite destructive signatures to the Croydon area. No previous exploration drilling has tested the targets.

First-pass aircore drilling will be used to test target positions once tenements have been granted.

BROADLY CREEK/CEMENT CREEK

Commodity:	Gold
Project Generation:	Conceptually Targeted
IGO:	100%
Geological Setting:	Pajingo Style Epithermal Under Cover

Conceptual targeting within the northwest portion of the Drummond Basin has located two magnetic targets under cover (approx 50m-120m) with a similar geophysical signature to the high-grade Pajingo (1.8 million oz Au) epithermal gold deposit. The main features of interest in both tenements have not yet been tested by previous drilling. Drill-testing will be scheduled once tenements are granted.

OTHER GOLD PROJECTS

The Company also holds tenure in numerous other gold project areas (Figure 10).

GOLDSWORTHY JOINT VENTURE

Commodity:	Iron, Zinc, Copper
Project Generation:	Conceptually Targeted
IGO:	Earning 80% (Owner: Western Australian Resources Ltd Diluting)
Geological Setting:	Archaean Bif And Felsic Volcanic Province

IGO is evaluating the iron ore potential of a significant gravity anomaly situated in a demagnetised and structurally disrupted zone of an otherwise strongly magnetic banded iron formation ("BIF") beneath shallow cover (Figures 18-19). The BIF is interpreted to be part of the Nimingarra Iron Formation, host to the high grade Goldsworthy Iron Ore deposit.

It was postulated that the coincident demagnetisation and gravity anomaly could represent a zone of hydrothermal haematite alteration within the BIF. A drill program comprising 9 holes for 1,310m testing the gravity target to a vertical depth of 204m did not intersect the source of the anomaly. No BIF or zones of haematitic supergene enrichment were intersected.

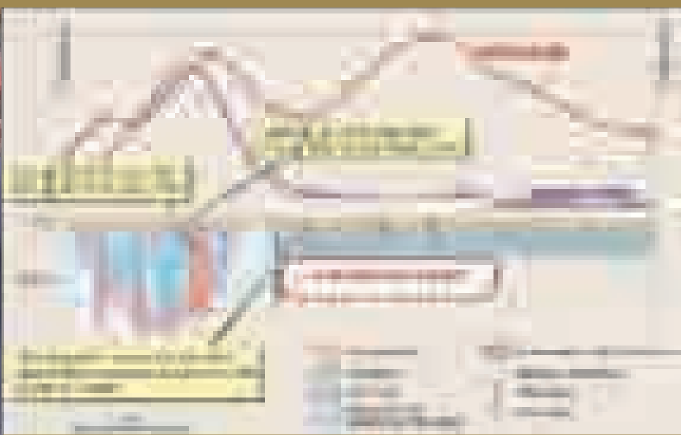


Figure 18: Goldsworthy Gravity and Magnetite-Rich Iron Formation Targets – 736,500mE Diagrammatic Solid Geological Interpretation Cross-Section

Three holes returned elevated copper (max 0.34%) and gold (max 120ppb) associated with carbonate-epidote alteration within an otherwise barren quartzite. The lack of BIF or any other dense rocks in any of the holes indicates the source of the large gravity anomaly is deeper than modelled.

Detailed ground magnetics and infill gravity are planned, prior to deeper diamond drilling of the gravity target.

Magnetite Target

An intense magnetic anomaly (95,000nT), representing one of the strongest discrete magnetic anomalies recorded in Australia, is situated immediately adjacent and to the south-west of the gravity anomaly. Previous drilling of the anomaly by Rio Tinto delineated magnetite-bearing BIF and ultramafic rock. Two holes intercepted multiple wide widths of magnetite mineralisation, returning 54m @ 29.1% Fe from 76m and 64m @ 29.7% Fe from 142m (97DG006), and 134m @ 24.7% Fe from 36m and 27m @ 32% Fe from 208 to 235m (EOH) (97DG003) (Figure 18).

These results, together with preliminary modelling of the discrete magnetic feature, indicate potential for significant tonnages of magnetite.

An integrated program of detailed ground magnetics and infill gravity is planned to better define the magnetic anomaly prior to further drill-testing early in 2006/7.

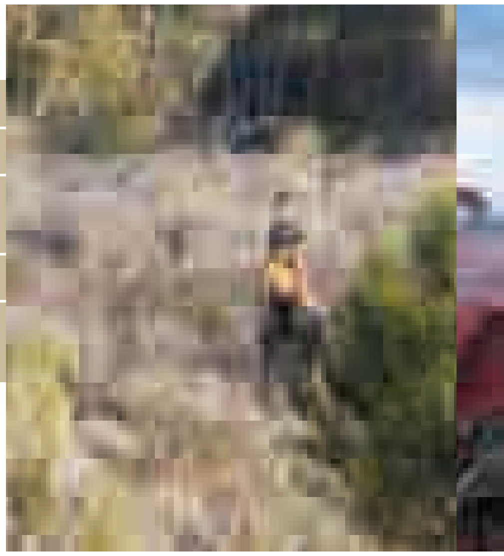
Other Base Metals

In light of base metal anomalism intercepted in drilling in the southern portion of the project area, re-interpretation of the basement rocks under cover utilising recently acquired aero-magnetics and field observation, has highlighted the potential for VMS base metal deposits, within a large felsic volcanic/volcaniclastic domal complex in a major Archaean divergent basin, north of the major Pardoo fault. Small outcrops of flow banded rhyolite and inter-bedded volcaniclastic units returned elevated zinc (to 250ppm) from essentially un-mineralised grab samples and shallow aircore drilling intercepted unaltered rhyolite returning up to 1,200ppm Zn, 216ppm Pb and 120ppb Au. The felsic domal complex is interpreted to be over an area of 40km x 20km under cover.

Drilling on 500m spacing is planned to test the inferred felsic province, by ascertaining basement geochemistry and petrology along with depth of cover and degree of oxidation.

MT ISDELL

Commodity:	Gold And Base Metals
Project Generation:	WMC Diamond Division Database
Target:	Telfer-style Proterozoic Gold Deposit And Nifty-style Copper Mineralisation
IGO:	100%
Geological Setting:	Paterson Province, 35km South Of 26M Oz Telfer Gold Deposit



The Mt Isdell project consists of two Exploration Licence applications totalling 428 square kilometres, located 35 kilometres south of the 25 million ounce Telfer gold resource (*Newcrest Mining Limited Market Release 28 August 2006)* and 80 kilometres south-east of the 38.6 million tonne @ 2.5% Cu Nifty copper operation *(Aditya Birla Minerals Limited 2006 Annual Report)*.

The project covers Proterozoic Yeneena Group meta-sediments concealed by extensive aeolian sand dune cover and was targeted on anomalous WMC Diamond Division samples up to 12ppb gold, 598ppb copper, 1031ppm cerium, with anomalous arsenic and lead.

Reconnaissance and infill lag sampling by IGO has delineated a 5km x 3km area of high order zinc, lead, copper with elevated cerium, cobalt, arsenic, bismuth and gold anomalism. Recent government geophysical surveys have highlighted a major north-west trending gravity gradient structure which coincides with the high order surface anomaly. Both the Nifty Copper and Maroochydore Copper Cobalt deposits are proximal to this feature.

MATRIX METALS LIMITED

Commodity:	Copper
IGO:	19%

IGO has 108 million shares in listed company Matrix Metals Limited ("Matrix") (ASX Code: MRX).

Matrix has announced to the market that it has completed a bankable feasibility study in relation to its proposed copper cathode producing deposit at White Range. This deposit is located on Matrix's 5,000km^2 tenement package, located in the world class Queensland Mt Isa base metals province.

Matrix has advised that the feasibility study indicates that the White Range project is economically viable and profitable as follows:-

	Base Model
Production Rate	15,000tpa
Copper Cathode Produced	87,337t
Direct Capital	A$76m
Operating Cost/lb	US$1.31
USD/AUD Exchange Rate	Hedging curves then 0.70
USD Copper Price	Hedging curves then $1.10
EBITDA	A$263m
EBIT	A$164m
NPV @ 8% Discount	A$102m
IRR	37%

As expected the capital and operating costs are higher than previously estimated, however Matrix has advised that the increase in current and anticipated future copper prices has improved the project economics.

SOUTHSTAR DIAMONDS LIMITED

Commodity:	Diamonds
IGO:	50%

Southstar Diamonds Limited ("Southstar") is evaluating the diamond component of the WMC Diamond Division database and the De Beers Yilgarn diamond database. These databases contain numerous diamond-indicator mineral anomalies in Australia and other countries that were not followed up for small gem-rich diamond-bearing kimberlite pipes. Recent discoveries of similar pipes in Canada and the former Soviet Union have shown the extremely high commercial value of these deposits.

During the year Southstar commenced exploration on two Australian properties, generated by the De Beers database, which contain micro diamond-bearing kimberlite intrusives. Micro diamond grain-size studies indicate that kimberlites on both projects could contain larger economic stones. Ongoing gravity and TEM geophysical surveys have defined a number of concealed targets for drill follow-up.

Southstar is owned 50% by Independence, with the other 50% owned by Perilya Ltd.

ATLAS IRON LIMITED

Commodity:	Iron Ore

Atlas Iron Limited ("Atlas") has announced an initial resource estimate of 2.372M tonnes @ 57.1% Fe at South Limb, which is part of the Atlas Option with IGO/WAR (Western Australian Resources Ltd) on part of the IGO/WAR Goldsworthy project tenure (Figure 19). IGO and WAR will receive a 2% gross royalty on production from South Limb.

IGO and WAR also have a 30% clawback right should the resource exceed 5M tonnes of iron ore, or a 51% clawback right if Atlas Iron Limited fails to commence development within 4 years of exercising the option.

IGO holds 1,050,000 fully paid Atlas shares (ASX Code: AGO) as consideration for granting Atlas the iron ore rights.

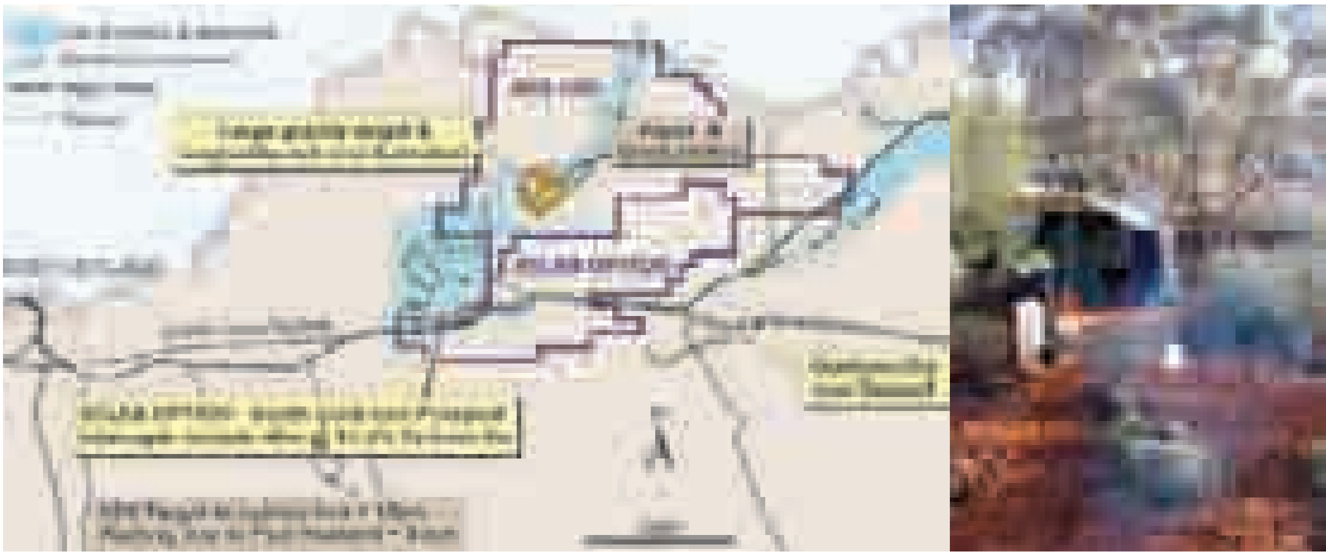


Figure 19: Goldsworthy Project Location Plan Showing Atlas Option Area in Relationship to Railway Lines and Port Hedland

JORC CODE COMPLIANCE

Except as otherwise noted, the information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Christopher M Bonwick who is a full-time employee of the Company and is a member of the Australasian Institute of Mining and Metallurgy. Christopher Bonwick has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Christopher Bonwick consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Forward-Looking Statements: This report may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Independence Group NL's planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should," and similar expressions are forward-looking statements. Although Independence Group NL believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.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The ASX Corporate Governance Council requires that the Company must disclose the extent to which it has followed best practice recommendations, identify which recommendations have not been followed and the reason for not adopting the recommendations.

The ASX Corporate Governance Council recognises that not all recommendations are appropriate for all companies and that companies should only adopt those recommendations that are suitable in each individual case.

The following is a summary of policies adopted by the Company and where appropriate, explanations of where best practice recommendations have not been applied. Implementation dates of policies are shown on the last page of this Corporate Governance Statement. The various policies and procedures were followed throughout the entire financial year.

Board Composition and Functions

Under the Company's Constitution, the Board is required to consist of at least 3 and no more than 10 directors. If the Company has 3 or more directors, one third of the directors, with the exception of the Managing Director, must retire and seek re-election at the Annual General Meeting each year.

The Board of the Company currently consists of 3 independent non-executive directors and 2 executive directors. The board includes the Managing Director (executive) and the Chairman (non-executive).

The Board composition complies with ASX recommendations, in that a majority of directors are independent. The roles of Chairman and Chief Executive Officer (or Managing Director) are not exercised by the same person, and the Board is considered to be comprised of directors with the experience and qualifications best suited to the Company's size and range of activities.

The Company has an independent Chairman (Rod Marston). The Company has followed ASX recommendations in the assessment of whether a director is considered to be "Independent". The other independent directors are John Christie and Oscar Aamodt.

Oscar Aamodt was elected to the Board on 3 August 2005. Prior to that date the Board composition did not comply with ASX recommendations.

The Board delegates responsibilities to committees, executive directors and senior management.

The Board is responsible for corporate strategy, implementation of business plans, allocation of resources, approval of budgets and capital expenditure, and the adherence to Company policies.

The Board is also responsible for compliance with the Code of Conduct, overseeing risk management and internal controls, and the assessment, appointment and removal of the Managing Director, Company Secretary and other senior management.

Directors of the Company during the financial year and information pertaining to individual directors are included in the Directors' Report.

Board members have the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense.

Director Independence

The Company has established guidelines for testing the independence of directors.

A director is considered to be independent if they satisfy certain criteria, the most significant being as follows:

- The director must be in a non-executive role where any fees payable by the Company could not be considered to make the director reliant on such remuneration. The director must have no other material contractual relationship with the Company other than as a director of the Company;
- The director is not a substantial shareholder of the Company;
- The director has not been employed in an executive capacity by the Company and has not been a principal of a material adviser or consultant to the Company within the last 3 years; and
- The director is free from any interest which could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company.

The full policy on determining the independence of directors is available in the Corporate Governance section of the Company's website.

Risk Management

The Board is responsible for the identification of significant areas of business risk, implementing procedures to manage such risks and developing policies regarding the establishment and maintenance of appropriate ethical standards to:

- ensure compliance in legal, statutory and ethical matters;
- monitor the business environment;
- identify business risk areas;
- identify business opportunities; and
- monitor systems established to ensure prompt and appropriate responses to shareholder complaints and enquiries.

The Board meets on a regular basis. The Company does not follow the ASX best practice recommendation that the Company should have an internal control function as the Board considers that the Company is not of a size or operational complexity to warrant the implementation of a separate internal control function.

The Managing Director and Company Secretary are required to state in writing to the Board that the Company has a sound system of risk management, that internal compliance and control systems are in place to ensure the implementation of Board policies, and that those systems are operating efficiently and effectively in all material respects.

Audit Committee

The Company has established an Audit Committee which is responsible for the following:

- oversee the existence and maintenance of internal controls and accounting systems, including the implementation of mandatory and non-mandatory accounting policies and reporting requirements;
- oversee the financial reporting process, including reviewing and reporting to the Board on the accuracy of all financial reports lodged with ASX which include the quarterly, half-yearly and annual financial reports;
- recommend to the Board the nomination, removal and remuneration of the external auditors; and
- review the external audit arrangements, including ensuring that any non-audit services provided do not impair auditor independence.

The Audit Committee reports to the Board and meets as required, but in any case at least twice each year. Current members are Rod Marston, John Christie and Oscar Aamodt. Rod Marston is a geologist with corporate experience. John Christie is a qualified accountant/chartered secretary and Oscar Aamodt is a chartered secretary, both having considerable financial and managerial experience. The Committee has authority to seek any pertinent information it requires from any employee or external party. Qualifications held by the individuals on the Audit Committee are included in the Directors' Report. The chairman of the Committee is John Christie.

The Audit Committee follows ASX recommendations as the members are all independent non-executive directors. The Audit Committee membership did not comply with ASX recommendations during the entire year as executive directors were on the Audit Committee until 3 August 2005.

Any member of the Committee is able, and obliged, to bring any matter to the attention of the Board where the member believes the matter has not been adequately dealt with by the Committee, or is of significant importance that the Board should be informed.

The Managing Director and Company Secretary are required to state in writing to the Board that the Company's financial reports present a true and fair view of the Company's financial condition and that operational results are reported in accordance with relevant accounting standards. The Auditor is required to attend the Company's annual general meeting.

The Audit Committee Charter is available on the Company's website.

Hedging Committee

The Company has established a Hedging Committee to make recommendations to the Board on hedging policies and to maintain the hedging portfolio.

The members of the Hedging Committee at the date of this report are Kelly Ross, John Christie and Oscar Aamodt.

Procedure for the Selection of New Directors

The Company believes it is not of a size to justify having a Nomination Committee. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement.

Corporate performance is enhanced when the Board has an appropriate mix of skills and experience. The Board is evaluated before a candidate is selected to join the Board. Candidates are nominated by existing Board members and independent search consultants are also utilised if necessary. Where a director nominates a candidate for the Board, the director must disclose any pre-existing relationship with the nominee.

New directors are provided with a letter of appointment setting out their responsibilities and rights, and are provided with a copy of the Company's Constitution.

The full policy for nomination of directors is available on the Company's website.

Compensation of Board Members

The Company's policies and procedures relating to the remuneration of board members and senior management are contained in the Remuneration Report which forms part of the Directors' Report.

Conflicts of Interest

The Board has implemented Code of Conduct and Share Trading Policies which have been designed to ensure that all directors and employees of the Company act ethically and do not use confidential information for personal gain.

These policies are available on the Company's website.

Code of Conduct

The Board is responsible for setting the tone of legal, ethical and moral conduct to ensure that the Company is considered reputable by the industry and other outside entities. This involves considering the impact of the Company's decisions on the industry, colleagues and the general community. The Code of Conduct adopted by the Company requires that all employees abide by the laws, regulations and business practices wherever the Company operates. The Board maintains an approach that preserves the integrity of any laws or regulations under which the Company operates. The Company has also put in place various internal Policies which provide internal controls to ensure employees only act within the authority given to them by the Board. This is to ensure that the Board has responsibility for any material transactions and dealings with outside parties, and that any legal, environmental and social consequences of such dealings will be properly considered before any action is taken.

Environmental Policy

The Company has an Environmental Policy which requires that all employees comply with the environmental regulations in force in the region in which work is undertaken. The Company is committed to dealing fairly and equitably with interested parties relating to environmental issues, such as landholders, governmental agencies and native title claimants.

Disclosure of Information to ASX and Investors

The Company has established policies and procedures relating to the disclosure of information to interested parties. The following policies and procedures are contained in the Corporate Governance section of the Company's website:

- Code of Conduct
- Director Independence
- Legal, Environmental & Social Responsibilities
- Remuneration Policy
- Risk Management & Internal Control Procedures
- Audit Committee
- Board and Management Responsibilities
- Compliance with ASX Disclosure Requirements
- Nomination of Directors
- Directors' and Officers' Trading in Securities
- Communication with Shareholders
- Investor Relations and Media Interaction

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2006.

Directors

The names of directors in office at any time during or since the end of the year are Rod Marston, Christopher Bonwick, Kelly Ross, John Christie and Oscar Aamodt. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. Oscar Aamodt was appointed to the Board on 3 August 2005.

Principal Activities

The principal activities of the economic entity during the financial year were mineral exploration and nickel mining.

There were no significant changes in principal activities during the financial year.

Operating Results

The consolidated profit of the economic entity after providing for income tax amounted to $34,986 thousand (2005: $20,903 thousand).

Dividends Paid or Recommended

The Company paid a fully franked 5 cent dividend to shareholders in October 2005.

The Company paid a fully franked 2 cent interim dividend to shareholders in respect of the year ended 30 June 2006.

The Company has announced that a fully franked 7 cent dividend will be paid to shareholders on 17 October 2006.

Franking credits of $14,576 thousand are currently available.

Review of Operations

The economic entity focused on the Long Nickel Mine operation. The economic entity concentrated its exploration activities on various targets generated by regional exploration programs. The consolidated profit before income tax increased by 65% to $50,384 thousand (2005: $30,559 thousand).

Nickel revenue for the year increased by 31% to $112,583 thousand (2005: $85,766 thousand).

Fully diluted earnings per share increased from 19.28 cents in 2005 to 30.67 cents in 2006. The economic entity had cash assets of $26,130 thousand (2005: $24,226 thousand) and net assets of $47,929 thousand (2005: $49,639 thousand) at the end of the financial year. (Net assets for 2006 include the marked to market value of commodity hedge contracts which were not included in net assets in 2005. Net assets excluding commodity hedge contracts for 2006 amounted to $84,300 thousand.)

A summary of the Company's activities during the year is contained in the Exploration and Operations sections of the Annual Report.

Future Developments

The likely developments in the operations of the economic entity and the expected results of those operations in future financial years are the exploration of new and existing project areas in the search for gold, nickel, platinoids, copper and other minerals, and the production of nickel and copper from the Long Nickel Mine.

The Board anticipates that the Long Nickel Mine's cash flow will allow the economic entity to vigorously explore existing tenement interests, as well as provide the opportunity to develop any discoveries to their full potential. These expected future cash flows are subject to future nickel prices and exchange rates. The Company will also consider corporate investments or acquisition of projects should suitable opportunities arise, as well as pay regular dividends to shareholders.

Further information about likely developments in the operations of the economic entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the economic entity.

Unlisted Options

No options were granted over unissued shares during or since the end of the financial year by the Company to directors or any of the five most highly remunerated officers as part of their remuneration.

Unlisted options issued as at the date of this report are as follows:

Number	Expiry Date	Exercise Price
643,750	30/09/08	**$0.96**
750,000	30/06/08	**$1.33**
1,125,000	30/06/08	**$1.03**
1,065,600	30/06/09	**$1.16**
187,500	30/06/09	**$1.20**
50,000	30/06/10	**$3.07**
100,000	30/06/10	**$2.94**
150,000	30/06/10	**$1.59**
412,500	30/06/10	**$1.16**
4,484,350		

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of any other body corporate. 562,500 shares have been issued since the end of the financial year as a result of the exercise of unlisted options. Further information relating to unlisted options is included in note 7 of Additional Information for Listed Public Companies.

Information on Directors

Rod Marston	**Chairman (Non-executive) Age 63**
Qualifications	BSc(Hons), PhD, MAIG, MSEG
Tenure	Board member since 2001. Chairman since 20 August 2003.
Special Responsibilities	Dr Marston is on the Remuneration and Audit Committees.
Christopher Bonwick	**Managing Director (Executive) Age 47**
Qualifications	BSc (Hons), MAusIMM
Tenure	Managing Director and Board member since 2000.
Special Responsibilities	Mr Bonwick is the executive in charge of operations and corporate development.
Kelly Ross	**Director (Executive) Age 44**
Qualifications	CPA, Grad.Dip.CSP
Tenure	Board member since 2002.
Special Responsibilities	Ms Ross is the Company Secretary and is on the Hedging Committee.
John Christie	**Director (Non-executive) Age 68**
Qualifications	CPA, ACIS
Tenure	Board member since 2002.
Special Responsibilities	Mr Christie is on the Remuneration, Audit and Hedging Committees.
Oscar Aamodt	**Director (Non-executive) Age 60**
Qualifications	FCIS
Tenure	Board member appointed 3 August 2005.
Special Responsibilities	Mr Aamodt is on the Remuneration, Audit and Hedging Committees.

Other Listed Company Directorships Held During Past 3 Years

Dr Marston was a director of Ranger Minerals Ltd for 18 years until October 2002 and an alternate director for Perilya Ltd for 2 years until May 2005. Mr Christie was a director of Ranger Minerals Ltd for 18 years until October 2002 and General Minerals Corporation for 2 years until February 2003. Mr Aamodt was a director of Abelle Limited from February 2002 until May 2003 and has been a director of Energy Metals Limited since July 2005.

Company Secretary Qualifications

The Company Secretary is Kelly Ross, who is a qualified accountant holding a Bachelor of Business(Actg) and has the designation CPA from the Australian Society of Certified Practicing Accountants. Ms Ross is a Chartered Secretary with over 20 years experience in accounting and administration in the mining industry and has been the Company Secretary of Independence Group NL for 5 years.

Meetings of Directors

During the financial year, 18 meetings of directors (including committees of directors) were held. The number of meetings attended by each director during the year is as follows:

	DIRECTORS' MEETINGS		REMUNERATION COMMITTEE		AUDIT COMMITTEE		HEDGING COMMITTEE	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Rod Marston	10	10	2	2	3	3	-	-
Christopher Bonwick	10	10	-	-	-	-	-	-
Kelly Ross	10	10	-	-	-	-	3	3
John Christie	10	10	2	2	3	3	3	3
Oscar Aamodt	9	9	1	1	3	3	3	3

Remuneration Report

Remuneration Policy and Procedures

The Company has established a Remuneration Committee to oversee the remuneration of senior executives and executive directors. At the date of this report, the Committee members were independent directors Rod Marston, John Christie and Oscar Aamodt. Mr Aamodt joined the Committee on 3 August 2005 and was therefore not a Committee member during the entire financial year.

The Committee reviews executive directors' and senior management's remuneration and other terms of employment annually, having regard to performance, relative industry remuneration levels, and where appropriate, the Committee seeks independent advice to ensure appropriate remuneration levels are in place.

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 directors fees pool is $300,000 of which $194,500 is currently being utilised.

Non-executive directors may provide consulting services to the Company, which are over and above the services normally provided by a non-executive director in the performance of their duty as a member of the Board. Where the Company requests that specific projects are investigated by a non-executive director that fall outside their normal duties as a director, additional services may be charged to the Company, at a rate approved by the Board. No such services were provided during the year ending 30 June 2006.

Performance evaluations for all Board members are held annually and are undertaken with a view to comparing the performance of individual directors to the performance and growth of companies of similar size and complexity within the mining industry.

No director may be involved in setting their own remuneration or terms and conditions.

Bonuses and performance-based rewards are given where the Committee believes performance of an individual compares favourably with their peers within the industry. The objective of the reward schemes is to both reinforce the short and long term goals of the Company and to provide a common interest between management and shareholders. The following summarises the performance of the Company over the last 5 financial years:

	2002	2003	2004	2005	2006
Revenue ($ millions)	-	24.6	67.2	86.6	113.4
Net profit/(loss) after income tax ($ millions)	(1.5)	1.4	17.3	20.9	35.0
Share price at year end ($/share)	0.35	0.37	1.07	1.35	2.72
Dividends paid (cents/share)	-	-	-	8	7

Performance based remuneration

Short term incentives (STI)

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

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

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

The peer group of companies against which the Company's TSR performance is measured are Jubilee Mines NL, LionOre Mining International Ltd, Mincor Resources NL and Sally Malay Mining Limited. The companies included in the peer group will be reviewed each year to take account of any new Australian-based entities producing the same or similar products as those produced by the Company and to eliminate any entity that ceased to produce the same or similar products or was merged into a multi-commodity entity having no ongoing similarity to the Company.

The maximum STI payable each financial year is set by the Remuneration Committee on an individual basis after taking into account employment market conditions and the amount determined to be paid as the variable component.

The maximum amount of the STI is to be paid where the Company's TSR for the relevant period is greater than the average of the peer group. Where the Company's TSR for the relevant period is less than 50% of the peer group average no STI is payable. Between 50% and 100% a proportional amount is paid.

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

STI payments are normally delivered as a yearly cash bonus payable in the subsequent financial year. During the year executive directors received 100% of the total allocated bonus for the 2005 year which was paid in November 2005 (C Bonwick $60,000 and K Ross $20,000).

Long term incentives (LTI) - Executives

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

The LTI benefits are delivered in the form of options to acquire ordinary shares in the Company. The use of options that are issued with an exercise price at market price ensures that the executive director or senior manager only receives a benefit where shareholder wealth has increased though an increase in the market value of the Company's shares.

The options are issued on the basis that 25 percent of the total number issued to an executive director or senior manager will vest on each of the 4 anniversary dates following their issue. The options have a 5 year life and can be exercised at any time after they have vested. The exercise price is set at the prevailing market price of the Company's ordinary shares at the time of the issue of the options.

The options do not entitle the holder to voting or dividend rights.

Options that have not vested are cancelled if the executive director or senior manager ceases to be an employee of the Company.

The options are allocated to executive directors and senior management personnel on the basis of the incumbent's position and responsibilities on the recommendation of the Managing Director and the approval of the Board. Options issued to the Managing Director are on the recommendation of the Chairman and are approved by the Board.

All options granted to executive directors are approved in advance by shareholders.

No options were granted or issued to directors or key management personnel during the year.

Long term incentives (LTI) – Non-executive directors

The LTI component of the remuneration package for non-executive directors aims to align a proportion of their remuneration package with the creation of shareholder wealth.

The LTI benefits are delivered in the form of options to acquire ordinary shares in the Company. The options are issued at 30% above market price ensuring that the non-executive director only receives a benefit where shareholder wealth has substantially increased. The options are issued on the basis that 25 percent of the total number issued will vest on each of the 4 anniversary dates following their issue. The options have a 5 year life and can be exercised at any time after they have vested.

The exercise price is set at 30% above the prevailing market price of the Company's ordinary shares at the time of the issue of the options. Non-executive directors are also required to make a non-refundable cash payment equivalent to 10% of the market price of the shares on the date of issue. This cash payment is required at the commencement of each vesting year.

The options do not entitle the holder to voting or dividend rights.

Options that have not vested are cancelled if the non-executive director ceases to be a director of the Company.

The options are allocated to non-executive directors on the recommendation of the Managing Director.

All options granted to non-executive directors are approved in advance by shareholders.

No options were granted or issued to directors during the year.

Key Management Personnel

The directors who held office during the financial year were Rod Marston (Chairman), Christopher Bonwick (Managing Director), Kelly Ross (Executive Director), John Christie (Non-executive Director) and Oscar Aamodt (Non-executive Director). The directors held office during the entire financial year, except for Oscar Aamodt who was appointed on 3 August 2005.

The only other persons who qualified as key management personnel during the financial year, and to whom this Remuneration Report also relates, are Tim Moran (Operations Manager) and Brett Hartmann (General Manager – Long Nickel Mine). Mr Moran held the position of General Manager – Long Nickel Mine until 31 August 2005 and Mr Hartmann held that position from 1 September 2005. The General Manager – Long Nickel Mine is employed by the Company's subsidiary Lightning Nickel Pty Ltd.

Employment Contracts

Terms and conditions of employment contracts:

i) Non-executive directors do not have employment contracts with the Company.

ii) Executive directors are employed under contracts which do not have a defined term. These contracts include provision for termination benefits of 1 month's remuneration for every year of service should the Company terminate the employment contract without cause. Termination benefits of 12 month's 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. Current employment contracts provide for base remuneration of $350,000 (2005: $300,000) Christopher Bonwick and $220,000 (2005: $185,000) Kelly Ross.

iii) Executive directors are entitled to receive cash and/or equity based bonuses in addition to the remuneration stated in their employment contracts. The Company pays any fringe benefits tax cost relating to executive directors' remuneration payments and that cost is included in the executive directors' total compensation in the table below.

iv) The executive Tim Moran is employed under a 2 year contract which includes provision for 1 month's remuneration for every year of service should the Company terminate the employment contract without cause. In all other circumstances the contract 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 $250,000. Mr Moran may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board.

v) The executive Brett Hartmann is employed under a contract which does not have a defined term. The contract 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 $163,500 plus motor vehicle expenses. Mr Hartmann may also receive performance based bonuses should the Remuneration Committee so recommend and those bonuses are approved by the Board.

Compensation Paid for the Financial Year

Key management personnel during the financial year received the following compensation:

	Short-term Benefits			Post-employment Benefits	Share-based Payments	
	Cash Salary & Fees $	Cash Bonus $	Non-monetary Benefits $	Superannuation $	Options (v) $	Total $
2006						
R Marston (i) *Non-executive Chairman*	80,000	-	-	-	50,481	130,481
C Bonwick (ii) *Managing Director*	304,606	60,000	9,361	27,378	120,270	521,615
K Ross (ii) *Executive Director/Company Secretary*	182,758	20,000	19,671	16,383	60,135	298,947
J Christie (i) *Non-executive Director*	60,000	-	-	-	25,241	85,241
O Aamodt *Non-executive Director*	45,467	-	-	4,092	-	49,559
T Moran (iii) *Chief Operations Officer*	229,357	10,000	-	22,036	-	261,393
B Hartmann (iv) *General Manager – Long Nickel Mine*	112,509	10,000	9,944	10,126	10,601	153,180
Total compensation	1,014,697	100,000	38,976	80,015	266,728	1,500,416
2005						
R Marston (i) *Non-executive Chairman*	71,666	-	-	-	84,696	156,362
C Bonwick (ii) *Managing Director*	261,867	50,000	10,726	23,568	217,387	563,548
K Ross (ii) *Executive Director/Company Secretary*	156,107	15,000	14,980	14,050	108,693	308,830
J Christie (i) *Non-executive Director*	67,847	-	-	-	42,348	110,195
O Aamodt *Non-executive Director*	-	-	-	-	-	-
T Moran (iii) *General Manager – Long Nickel Mine*	212,858	-	3,830	19,157	20,555	256,400
Total compensation	770,345	65,000	29,536	56,775	473,679	1,395,335

(i) R Marston and J Christie were granted options at the 2003 Annual General Meeting. The options were issued on 26 November 2003. Further information relating to these options is contained in note 28 to the Financial Statements.

(ii) C Bonwick and K Ross were granted options at the 2003 Annual General Meeting. The options were issued on 26 November 2003. Further information relating to these options is contained in note 28 to the Financial Statements.

(iii) T Moran was issued options pursuant to the Employee Option Plan on 1 October 2002. Further information relating to these options is contained in note 28 to the Financial Statements.

(iv) B Hartmann was issued options pursuant to the Employee Option Plan on 10 February 2005. Further information relating to these options is contained in note 28 to the Financial Statements. B Hartmann's compensation is reported from 1 September 2005 when he was first classified as a key management person.

Included in total compensation are performance based bonuses of $60,000 (2005: $50,000) Christopher Bonwick and $20,000 (2005: $15,000) Kelly Ross. These bonuses were calculated in accordance with the short term incentive policy described above. For the financial period to which the bonuses related, the TSR of the Company was 108.21 while the average TSR for the peer group was 31.24. As the Company's TSR was greater that the average of the peer group, the executive directors were entitled to receive 100% of the STI set by the Remuneration Committee. This was all paid during the financial year and therefore no portion of the bonuses granted will be payable in future financial years.

The performance based bonuses for Christopher Bonwick and Kelly Ross are subject to an annual review by the Remuneration Committee, which also reviews annually the non-performance based remuneration levels of these executives.

The percentage of the value of compensation for each director and executive that consists of performance based equity compensation granted during the year or performance based bonuses for the financial year was:

Name	Equity Compensation	Performance Based Bonuses
R Marston	0%	0%
C Bonwick	0%	14.9%
K Ross	0%	8.4%
J Christie	0%	0%
O Aamodt	0%	0%
T Moran	0%	4.0%
B Hartmann	0%	7.5%

The remaining compensation 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.

(v) Remuneration options: Granted and vested during the year

The Company uses the fair value measurement provisions of AASB 124 "Related Party Disclosures" and AASB 2 "Share-based Payments" for all options granted to directors and relevant executives, which had not vested as at 1 July 2003. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis from grant to vesting date. Fair values at grant date are independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate and the term of the option. No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (ie. forfeitures). The following options which were granted in prior years, were exercised during the year:

- 750,000 options at $1.03 each by director C Bonwick
- 375,000 options at $1.03 each by director K Ross
- 250,000 options at $1.33 each by director R Marston
- 125,000 options at $1.33 each by director J Christie
- 37,500 options at $1.16 each by key management person B Hartmann

No options were granted to directors or executives during the year.

The fair value of options issued is recognised as an expense in the financial statements. Further information relating to the options issued by the Company during prior years is included in note 28 to the Financial Statements.

Option holdings of key management personnel

	Balance Issued at Start of Year	Vested During Year	Granted During Year	Options Exercised	Balance at End of Year	Vested at 30 June 2006 Total	Not Exercisable	Exercisable
2006								
R Marston	1,000,000	250,000	-	(250,000)	750,000	250,000	-	250,000
C Bonwick	1,500,000	375,000	-	(750,000)	750,000	-	-	-
K Ross	750,000	187,500	-	(375,000)	375,000	-	-	-
J Christie	500,000	125,000	-	(125,000)	375,000	125,000	-	125,000
O Aamodt	-	-	-	-	-	-	-	-
T Moran	-	-	-	-	-	-	-	-
B Hartmann	150,000	37,500	-	(37,500)	112,500	-	-	-
Total	3,900,000	975,000	-	(1,537,500)	2,362,500	375,000	-	375,000

	Balance Issued at Start of Year	Vested During Year	Granted During Year	Options Exercised	Balance at End of Year	Vested at 30 June 2005 Total	Not Exercisable	Exercisable
2005								
R Marston	1,000,000	250,000	-	-	1,000,000	250,000	-	250,000
C Bonwick	1,500,000	375,000	-	-	1,500,000	375,000	-	375,000
K Ross	1,050,000	187,500	-	(300,000)	750,000	187,500	-	187,500
J Christie	500,000	125,000	-	-	500,000	125,000	-	125,000
O Aamodt	-	-	-	-	-	-	-	-
T Moran	950,000	300,000	-	(950,000)	-	-	-	-
B Hartmann (i)	-	-	-	-	-	-	-	-
Total	5,000,000	1,237,500	-	(1,250,000)	3,750,000	937,500	-	937,500

(i) B Hartmann was not key management personnel in the 2005 year.

Interests in shares and options held by key management personnel at the date of this report

	Ordinary Fully Paid Shares	Unlisted Options
Mr C Bonwick	3,873,506	750,000
Mr R Marston	1,620,000	500,000
Ms K Ross	695,000	375,000
Mr J Christie	420,000	250,000
Mr O Aamodt	10,000	-
Mr T Moran	50,000	-
Mr B Hartmann	-	112,500
TOTALS	6,668,506	1,987,500

Details of the terms and conditions for these securities are disclosed in note 28 to the Financial Statements and in note 7 of Additional Information for Listed Public Companies.

End of Remuneration Report

Employees

The economic entity had 153 employees at the end of the financial year (2005: 139).

Indemnifying Officers or Auditor

During the financial year, the Company paid a premium in respect of a contract insuring the directors and executive officers of the Company and of any related body corporate against a liability incurred as such a director or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer of the Company or of any related body corporate against a liability incurred as such an officer.

The Company has not paid any premiums to indemnify or insure the auditors of the Company.

Audit Independence

The Auditor's Independence Declaration included in this report forms part of the Directors' Report. The auditor did not provide any non-audit services to the Company or the consolidated entity.

Proceedings on Behalf of 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.

Significant Changes in State of Affairs

During the year the Company received $311 thousand from the receipt of unpaid amounts on 3,110,000 contributing shares, and $2,398 thousand as a result of the exercise of 2,178,150 unlisted options.

No other significant changes in the state of affairs of the economic entity occurred during the financial year.

Environmental Issues

The economic entity'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 Environmental Policy is available in the Corporate Governance section of the Company's website.

After Balance Date Events

Since the end of the financial year the Company placed orders to purchase new underground machinery for $2,950 thousand.

On 6 September 2006 the Company announced that a final dividend for 2005/6 will be paid on 17 October 2006. The dividend is 7 cents per share and will be fully franked.

No other matter or circumstance has arisen since the end of the financial year which significantly affected or may significant affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts 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.

R J Marston
Chairman

Dated this 22nd day of September 2006.

Declaration of Independence by BDO Chartered Accountants to the Directors of Independence Group NL

To the best of my knowledge and belief, there have been no contraventions of:

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

BDO

Chartered Accountants & Advisers

B G McVeigh
Partner

22 September 2006

	Note	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Revenues from ordinary activities	2	**113,404**	86,603	**20,179**	10,335
Mining and development costs		**(16,361)**	(13,357)	**-**	-
Employee costs		**(14,573)**	(14,688)	**(1,360)**	(936)
Share-based payment expense		**(513)**	(646)	**(513)**	(646)
Revaluation of listed investments		**1,236**	-	**1,236**	-
Depreciation and amortisation expense		**(9,342)**	(8,810)	**(247)**	(159)
Rehabilitation provision		**(29)**	(114)	**-**	-
Borrowing cost expense		**(444)**	(761)	**(9)**	-
Royalty expense		**(2,873)**	(3,244)	**-**	-
Ore tolling costs		**(7,992)**	(6,785)	**-**	-
Exploration costs expensed		**(866)**	(981)	**(866)**	(981)
Capitalised exploration costs written off		**(6,909)**	(3,463)	**(2,655)**	(2,984)
Other expenses from ordinary activities		**(4,354)**	(3,196)	**(1,785)**	(1,753)
Profit from ordinary activities before income tax expense	3	**50,384**	30,558	**13,980**	2,876
Income tax benefit/(expense) relating to ordinary activities	4	**(15,398)**	(9,655)	**1,476**	1,873
Profit from ordinary activities after related income tax expense		**34,986**	20,903	**15,456**	4,749
Basic earnings per share (cents per share)	7	**31.86**	22.24		
Diluted earnings per share (cents per share)	7	**30.67**	19.28		

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS

Balance Sheet As At 30 June 2006

	Note	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
CURRENT ASSETS					
Cash and cash equivalents	8	**26,130**	24,226	**7,211**	1,545
Trade and other receivables	9	**34,880**	12,203	**165**	209
Inventories	10	**296**	97	**-**	-
Financial assets	11	**2,604**	11,779	**-**	-
TOTAL CURRENT ASSETS		**63,910**	48,305	**7,376**	1,754
NON-CURRENT ASSETS					
Trade and other receivables	9	**375**	664	**18,476**	14,144
Deferred tax assets	4	**13,079**	773	**85**	48
Investments accounted for using the equity method	12	**564**	564	**564**	564
Financial assets	11	**7,663**	11,846	**7,663**	11,846
Property, plant and equipment	14	**6,773**	6,451	**649**	526
Exploration and development expenditure	15	**19,857**	16,498	**4,797**	2,933
Mine acquisition and pre-production costs	16	**2,359**	1,424	**-**	-
TOTAL NON-CURRENT ASSETS		**50,670**	38,220	**32,234**	30,061
TOTAL ASSETS		**114,580**	86,525	**39,610**	31,815
CURRENT LIABILITIES					
Trade and other payables	17	**10,621**	8,619	**714**	981
Borrowings	18	**1,398**	5,172	**-**	-
Current tax payable		**8,557**	6,647	**8,557**	6,647
Financial liabilities	19	**36,371**	11,779	**-**	-
TOTAL CURRENT LIABILITIES		**56,947**	32,217	**9,271**	7,628
NON-CURRENT LIABILITIES					
Borrowings	18	**1,809**	117	**-**	-
Deferred tax liabilities	4	**6,470**	3,356	**1,823**	914
Provisions	20	**1,425**	1,196	**-**	-
TOTAL NON-CURRENT LIABILITIES		**9,704**	4,669	**1,823**	914
TOTAL LIABILITIES		**66,651**	36,886	**11,094**	8,542
NET ASSETS		**47,929**	49,639	**28,516**	23,273
EQUITY					
Contributed equity	21	**23,076**	20,367	**23,076**	20,367
Reserves	22	**(18,291)**	986	**1,499**	986
Retained earnings	23	**43,144**	28,286	**3,941**	1,920
TOTAL EQUITY		**47,929**	49,639	**28,516**	23,273

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS

	Economic Entity				Parent Entity			
	Issued Capital $'000	Retained Earnings $'000	Other Reserves $'000	Total Equity $'000	Issued Capital $'000	Retained Earnings $'000	Other Reserves $'000	Total Equity $'000
At 1 July 2004	13,777	16,077	339	30,193	13,777	5,865	339	19,981
Net gains on cash flow hedges	-	-	-	-	-	-	-	-
Total income and expense for the period recognised directly in equity	-	-	-	-	-	-	-	-
Profit for the year	-	20,903	-	20,903	-	4,749	-	4,749
Total income/expense recognised for the year	**-**	**20,903**	**-**	**20,903**	**-**	**4,749**	**-**	**4,749**
Exercise of options	6,165	-	-	6,165	6,165	-	-	6,165
Contributing shares payment	425	-	-	425	425	-	-	425
Cost of share-based payment	-	-	647	647	-	-	647	647
Equity dividends	-	(8,694)	-	(8,694)	-	(8,694)	-	(8,694)
At 30 June 2005	20,367	28,286	986	49,639	20,367	1,920	986	23,273
At 1 July 2005	20,367	28,286	986	49,639	20,367	1,920	986	23,273
Adjustment on adoption of AASB 132 and AASB 139, net of tax	-	(12,356)	(5,816)	(18,172)	-	(5,663)	-	(5,663)
Restated total equity at 1 July 2005	**20,367**	**15,930**	**(4,830)**	**31,467**	**20,367**	**(3,743)**	**986**	**17,610**
Loss on cashflow hedges, net of tax	-	-	(13,974)	(13,974)	-	-	-	-
Total income and expense for the period recognised directly in equity	-	-	(13,974)	(13,974)	-	-	-	-
Profit for the year	-	34,986	-	34,986	-	15,456	-	15,456
Total income/expense recognised for the year	**-**	**34,986**	**(13,974)**	**21,012**	**-**	**15,456**	**-**	**15,456**
Cost of share-based payment	-	-	513	513	-	-	513	513
Exercise of options	2,395	-	-	2,395	2,395	-	-	2,395
Contributing shares payment	314	-	-	314	314	-	-	314
Equity dividends	-	(7,772)	-	(7,772)	-	(7,772)	-	(7,772)
At 30 June 2006	23,076	43,144	(18,291)	47,929	23,076	3,941	1,499	28,516

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS

	Note	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**89,868**	87,520	**-**	-
Dividends received from subsidiary		**-**	-	**20,000**	10,000
Payments to suppliers and employees		**(45,607)**	(40,397)	**(4,245)**	(2,512)
Interest received		**763**	762	**133**	269
Borrowing costs		**(435)**	(761)	**-**	-
Income tax payment		**(14,235)**	(7,633)	**(14,235)**	-
Other income		**-**	30	**42**	21
Net cash provided by operating activities	26a	**30,354**	39,521	**1,695**	7,778
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(1,678)**	(2,944)	**(369)**	(179)
Payments relating to acquisition and investments		**(1,500)**	(11,846)	**-**	(11,846)
Payments relating to mine development		**(3,841)**	(378)	**-**	-
Bonds to acquire property, plant and equipment		**-**	-	**-**	-
Loans to associated company		**(200)**	(150)	**(200)**	(150)
Payments for exploration and evaluation expenditure		**(10,414)**	(8,913)	**(4,820)**	(3,829)
Net cash provided by (used in) investing activities		**(17,633)**	(24,231)	**(5,389)**	(16,004)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		**2,709**	6,590	**2,709**	6,590
Payment of dividends		**(7,772)**	(8,653)	**(7,772)**	(8,653)
Proceeds from borrowings		**-**	-	**14,423**	2,043
Repayment of borrowings		**(5,754)**	(7,371)	**-**	-
Net cash provided by (used in) financing activities		**(10,817)**	(9,434)	**9,360**	(20)
Net increase/(decrease) in cash held		**1,904**	5,856	**5,666**	(8,246)
Cash at beginning of year		**24,226**	18,370	**1,545**	9,791
Cash at end of year	8	**26,130**	24,226	**7,211**	1,545

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Independence Group NL and controlled entities. Independence Group NL is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a. Principles of Consolidation

A controlled entity is any entity controlled by Independence Group NL. Control exists where Independence Group NL has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Independence Group NL to achieve the objectives of Independence Group NL. A list of controlled entities is contained in note 13 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

b. Income Tax

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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.

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 balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Independence Group NL and its wholly owned subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Independence Group NL is responsible for recognising the current and deferred tax liabilities for the tax consolidated group. The group formed an income tax consolidated group on 1 July 2002.

c. Investments

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

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, interests in listed and unlisted securities, other than subsidiaries and associates, were brought to account at cost.

As of 1 July 2005, after initial recognition investments which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in 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) they are held at initial cost.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date (i.e. the date that the Company commits to purchase the asset).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Interests in Joint Ventures

The Company's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the balance sheet and income statement. Details of the economic entity's interests, if any, are shown in note 12.

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.

e. Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such impairment indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. Impairment losses are recognised in the income statement as an expense.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is de-recognised.

Depreciation

The depreciable amount of all fixed assets excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use.

The useful lives for each class of depreciable assets are:

Class of Fixed Asset	Useful Life
Office furniture and equipment	3-5 years
Mine plant and equipment	2-5 years

Refer to note 1(h) for the amortisation policy applying to exploration and development costs and note 1(u) for the policy applying to the amortisation of pre-production and acquisition costs.

f. Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

g. Leased Non-Current Assets

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred. Lease incentives under operating leases are recognised as a liability.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal and the interest component of the payment. The leased asset is depreciated over its useful life.

h. Exploration and Development Expenditure and Amortisation

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A review is undertaken of each area of interest on a quarterly basis to determine the appropriateness of continuing to carry forward costs in relation to that area of interest, and at each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of development costs only when future economic benefits are established, otherwise such expenditure is classified as part of the cost of production.

Amortisation of costs is provided on the unit-of-production method with separate calculations being made for each mineral resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of the economically recoverable mineral reserves.

The net carrying value of each mine property is reviewed regularly. If this value exceeds its recoverable amount, the excess is either fully provided for or written off in the financial year in which this is determined.

i. Restoration and Rehabilitation Expenditure

The Company provides for the future cost of rehabilitating and closing its mining operation, regardless of when that operation is expected to cease. A provision for restoration is required to be brought to account as soon as there is a probable outflow of resources that can be measured reliably. The provision for restoration is based on the discounted cash flow of the expected future cost, discounted at 10%.

j. Employee Entitlements

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

k. Cash

For the purpose of the cash flow statement, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

l. Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

m. Revenue

Sales revenue comprises revenue earned from the provision of products to entities outside the economic entity. Sales revenue is recognised when the product is delivered and risk has been passed to the customer.

Sales revenue represents gross proceeds receivable from the customer. Sales are initially recognised at estimated sales value when the product is delivered. Adjustments are made for variations in metal price, assay, weight and currency between the time of delivery and the time of final settlement of sales proceeds.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

n. Payables

These amounts represent liabilities for goods and services provided to the economic entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

o. Receivables

Receivables represents GST recoverable together with trade debtors and monies held on deposit. All receivables are recognised at the full value of the amount receivable.

Trade debtors represents gross sales revenue proceeds receivable from the customer. A receivable is recognised at estimated sales value when the product is delivered. Adjustments are made for variations in metal price, assay, weight and currency between the time of shipment and the time of final settlement of sales proceeds, which is 120 days following the month of delivery of the product to the customer.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision is raised where there is some doubt as to the collectability of a debt.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Earnings per Share

The economic entity has applied AASB 133 Earnings Per Share.

Basic Earnings per Share

Basic EPS earnings are calculated using net profit or loss after income tax attributable to members of the Company.

Diluted earnings per Share

Diluted EPS earnings are calculated by adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of conversion to ordinary shares associated with dilutive potential ordinary shares, rather than the notional earnings on the funds that would have been received by the entity had the potential ordinary shares been converted.

The diluted EPS weighted average number of shares includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather than the total number of dilutive potential ordinary shares. The number of ordinary shared assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average market price.

The identification of dilutive potential ordinary shares is based on net profit or loss from continuing ordinary operations, and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of shares for each series of potential ordinary share.

Where diluted earnings per share are not dilutive, they are not disclosed.

q. Foreign Currency Transactions

Foreign currency transactions are initially converted to Australian currency at the rate of exchange ruling at the date of each transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year in the income statement.

r. Derivatives

The Company uses derivative financial instruments such as foreign currency contracts and commodity contracts to hedge its risks associated with nickel price and foreign currency fluctuations. Such derivative financial instruments are stated 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 nickel commodity contracts) to hedge firm commitments which meet the conditions for special 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 equity and the ineffective portion is recognised in the income statement.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

Amounts accumulated in equity are recycled in the income statement 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 income statement within sales.

s. Share-based Payments

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 are currently two plans in place to provide these benefits:

(i) the Employee Share Option Plan (ESOP), which provides benefits to executive directors and other employees, and

(ii) the Non-executive Directors’ Share Option Plan (NDSOP), which provides benefits to non-executive directors.

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Independence Group NL (‘market conditions’).

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant 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 are treated as if they were 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 earnings per share.

t. Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average costs.

u. Mine Pre-production and Acquisition Costs

When an operation is acquired, various costs are incurred prior to operations commencing on the mine property. Acquisition Costs, such as legal expenses, financing arrangement expenses and feasibility costs, are capitalised and included in the balance sheet (see note 16).

Prior to commencing production at a mine property, various costs are incurred to enable the commencement of mining operations, such as recruitment of staff, repair and maintenance of the site and its related equipment, and mine planning and scheduling. These Pre-production Costs are capitalised and included in the balance sheet (see note 16).

Mine Acquisition Costs and Pre-production Costs are amortised on a unit-of-production basis, based upon the recoverable mineral reserves estimated at the time of acquisition of the mine property.

v. Royalties

Royalties are accrued and charged against earnings in the period in which the minerals are extracted.

w. Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

x. International Financial Reporting Standards

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'), except that the Company has elected to apply exemptions allowed under AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (see below).

This is the first annual financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Company under AIFRS are disclosed in Note 35(c), where those policies vary from those applying under AGAAP.

Reconciliations of:

- AIFRS equity as at 1 July 2004 and 30 June 2005; and
- AIFRS profit for the year ended 30 June 2005,

to the balances reported in the 30 June 2005 annual financial report prepared under AGAAP are detailed in Note 35.

The Company made its election in relation to the transitional exemptions allowed by AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards as follows:

Share-based payment transactions

AASB 2 Share-Based Payments is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The Company elected to adopt this exemption and has applied AASB 132 Financial Instruments: Presentation and Disclosure and AASB 139 Financial Instruments: Recognition and Measurement to its financial instruments from 1 July 2005.

The financial effect of making these elections is shown in the Statement of Changes in Equity.

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000

NOTE 2: REVENUE

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Ordinary activities				
Sale of goods	**112,583**	85,766	**-**	-
Interest received – other parties	**763**	807	**133**	314
Dividend received from wholly-owned entity	**-**	-	**20,000**	10,000
Management fees	**-**	-	**-**	-
Other revenue	**58**	30	**46**	21
Total Revenue	**113,404**	86,603	**20,179**	10,335

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Profit from ordinary activities before income tax has been determined after charging the following items:				
Cost of sale of goods	**43,008**	38,329	**-**	-
Employee entitlements provision	**584**	279	**35**	27
Share-based payment expense	**513**	646	**513**	646
Borrowing costs - other entities	**444**	761	**9**	-
Amortisation of non-current assets	**1,122**	5,001	**-**	-
Depreciation of non-current assets	**8,220**	3,809	**247**	159
Exploration costs expensed	**866**	981	**866**	981
Write-off of capitalised exploration expenditure	**6,909**	3,463	**2,655**	2,984
Provision for mine restoration	**29**	319	**-**	-

NOTE 4: INCOME TAX

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
a. The major components of income tax expense are:				
Income Statement				
Current income tax				
Current Income Tax Charge	**15,883**	9,694	**(2,436)**	(1,867)
Adjustment in respect of current income tax of previous year		245		
Deferred income tax				
Relating to origination and reversal of temporary differences	**(485)**	(284)	**960**	(6)
Income tax expense reported in the income statement	**15,398**	9,655	**(1,476)**	(1,873)
Statement of Changes in Equity				
Deferred income tax related to items charged or credited directly to equity				
Recognition of commodity hedge contracts	**(8,541)**	-	**-**	-
Rehabilitation	**-**	(235)	**-**	-
Income tax expense reported in equity	**(8,541)**	(235)	**-**	-
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit before tax from continuing operations	**50,384**	30,558	**13,980**	2,877
Loss before tax from discontinued operations	**-**	-	**-**	-
Accounting profit before income tax	**50,384**	30,558	**13,980**	2,877

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
At the Group's statutory income tax rate of 30% (2005: 30%)	**15,115**	9,167	**4,194**	863
Adjustment in respect of current income tax of previous years	**-**	-	**-**	-
Share-based payments	**154**	193	**154**	193
Research and development concession	**(65)**	-	**-**	-
Non-deductible legal expenses	**78**	66	**78**	66
Expenditure not allowable for income tax purposes	**13**	12	**10**	5
Intercompany dividend	**-**	-	**(6,000)**	(3,000)
Under/over provision	**-**	245	**-**	-
Other	**103**	(28)	**88**	-
	15,398	9,655	**(1,476)**	(1,873)
Income tax expense reported in the consolidated income statement	**15,398**	9,655	**(1,476)**	(1,873)
Income tax attributable to discontinued operations	**-**	-	**-**	-
	15,398	9,655	**(1,476)**	(1,873)
The applicable weighted average effective tax rates are:	**31%**	32%	**-**	-

	Balance Sheet 2006 $'000	Balance Sheet 2005 $'000	Income Statement 2006 $'000	Income Statement 2005 $'000
Deferred Income Tax				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred tax liabilities				
Consumable inventories	**(89)**	-	**89**	-
Accrued income	**(37)**	(25)	**15**	16
Revaluation of hedged trade debtors	**(335)**	-	**335**	-
Revaluations on financial assets through profit or loss	**(371)**	-	**371**	-
Capitalised exploration, pre-production and acquisition costs	**(4,842)**	(3,352)	**571**	574
Deferred gains and losses on foreign exchange contracts	**(781)**	-	**-**	-
Capitalised development expenditure	**(15)**	21	**36**	(17)
Net gain on hedge of net investment	**-**	-	**-**	-
Application of AASB 132 and AASB 139	**-**	-	**-**	-
Gross deferred income tax liabilities	**(6,470)**	(3,356)	**1,417**	573
CONSOLIDATED				
Deferred tax assets				
Plant and equipment	**1,342**	-	**(361)**	(548)
Accrued expenses	**82**	199	**115**	(164)
Deferred loss on hedged commodity contracts	**10,911**	-	**(1,589)**	-
Provisions for employee entitlements	**391**	216	**(175)**	(84)
Provision for rehabilitation	**353**	358	**5**	(61)
Other	**-**	-	**103**	-
Gross deferred income tax assets	**13,079**	773	**(1,902)**	(857)
Deferred tax (income)/expense			**(485)**	(284)

	Balance Sheet		Income Statement	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000

NOTE 4: INCOME TAX (continued)

PARENT ENTITY				
Deferred tax liabilities				
Consumable inventories	**-**	-	**-**	-
Accrued income	**(13)**	(13)	**-**	13
Revaluation of hedged commodity contracts to fair value	**-**	-	**-**	-
Revaluations on financial assets through profit or loss	**(371)**	-	**371**	-
Plant and equipment	**-**	(21)	**-**	-
Capitalised acquisition costs	**-**	-	**-**	-
Capitalised exploration expenditure	**(1,439)**	(880)	**559**	8
Deferred gains and losses on foreign exchange contracts	**-**	-	**-**	-
Capitalised development expenditure	**-**	-	**-**	-
Gross deferred income tax liabilities	**(1,823)**	(914)	**930**	21
PARENT ENTITY				
Deferred tax assets				
Plant and equipment	**7**	-	**(28)**	(22)
Mining tenements	**-**	-	**-**	-
Pre-production costs capitalised	**-**	-	**-**	-
Accrued expenses	**43**	30	**(12)**	3
Deferred loss on hedged commodity contracts	**-**	-	**-**	-
Provisions for employee entitlements	**35**	18	**(18)**	(8)
Provision for rehabilitation	**-**	-	**-**	-
Other	**-**	-	**88**	-
Gross deferred income tax assets	**85**	48		
Deferred tax (income)/expense			**960**	(6)

b. Tax Consolidation

Independence Group NL and its wholly owned subsidiaries formed a tax consolidated group effective 1 July 2002. The entities have also entered a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiaries on the same basis as if they were tax-paying entities. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head company default on its tax payment obligations. The head company of the tax consolidated group is Independence Group NL.

	Economic Entity		Parent Entity	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000

NOTE 5: AUDITORS' REMUNERATION

Remuneration of the auditor of the economic entity for:				
a. auditing or reviewing the financial report	**63**	43	**63**	43
b. other services	**-**	-	**-**	-

NOTE 6: DIVIDENDS PAID

Prior year dividend payments	**-**	8,694	**-**	8,694
2005 final fully franked ordinary dividend of 5 cents per share franked at the tax rate of 30%	**5,531**	-	**5,531**	-
2006 interim fully franked ordinary dividend of 2 cents per share franked at the tax rate of 30%	**2,241**	-	**2,241**	-
Total dividends paid during the financial year	**7,772**	8,694	**7,772**	8,694
Franking account balance at the end of the financial year	**14,576**	3,907	**14,576**	3,907

	2006 '000 No.	2005 '000 No.

NOTE 7: EARNINGS PER SHARE

	2006 '000 No.	2005 '000 No.
a. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	**109,810**	93,992
Weighted average number of options outstanding	**2,947**	9,031
Weighted average number of issued contributing shares	**1,292**	5,386
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	**114,050**	108,409
	$'000	$'000
b. Earnings used in the calculation of basic EPS	**34,986**	20,903

c. Options outstanding and contributing shares have been classified as potential ordinary shares and have been included in the determination of dilutive EPS.

NOTE 8: CASH AND CASH EQUIVALENTS

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Cash on hand	**1**	1	**-**	-
Cash at bank	**(15)**	8,242	**(46)**	9
Deposits at call (i)	**26,144**	15,983	**7,257**	1,536
	26,130	24,226	**7,211**	1,545

(i) *The deposits were bearing floating interest rates between 4.56% and 5.70% (2005 – 2.38% and 5.45%). These deposits are available at call.*

NOTE 9: TRADE AND OTHER RECEIVABLES

	Note	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
CURRENT					
Trade debtors (i)	1(o)	**34,040**	11,477	**-**	-
Other debtors		**141**	104	**58**	59
Prepayments		**253**	211	**-**	-
GST receivable		**446**	411	**107**	150
		34,880	12,203	**165**	209
NON-CURRENT					
Deposits		**25**	514	**25**	24
Amounts owing from associated entities		**350**	150	**350**	150
Amounts owing from wholly-owned entities		**-**	-	**18,101**	13,970
		375	664	**18,476**	14,144

(i) *Trade debtors consists of payments outstanding from WMC Resources Ltd for nickel delivered prior to the end of the financial period. Proceeds from nickel deliveries are paid in US dollars and are finalised on the average LME nickel price prevailing in the third month after the month of delivery. The economic entity is therefore required to use a "forecast" price when valuing the outstanding payments. The result is that the actual proceeds received in the future may be different to the trade debtor amount shown and may result in an adjustment being required to be made to subsequent financial statements.*

	Note	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000

NOTE 10: INVENTORIES

	Note	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
CURRENT					
Mine spares and stores		**296**	97	**-**	-

NOTE 11: FINANCIAL ASSETS

	Note	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
CURRENT					
Foreign exchange gain	29	**2,604**	11,779	**-**	-
NON-CURRENT					
Shares in listed entities		**7,663**	11,846	**7,663**	11,846

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
a. Movements during the year in equity accounted investment in associated companies:				
Balance at beginning of the financial year	**564**	564	**564**	564
New investments during the year	**-**	-	**-**	-
Balance at end of the financial year	**564**	564	**564**	564
b. Retained earnings attributable to associate:				
Share of loss from ordinary activities after income tax expense	**(198)**	(129)	**(198)**	(129)
Share of retained losses at beginning of the financial year	**(181)**	(52)	**(181)**	(52)
Share of retained losses at end of the financial year	**(379)**	(181)	**(379)**	(181)
c. Summarised presentation of aggregate assets, liabilities and performance of associates:				
Current Assets	**68**	139	**68**	139
Non-current Assets	**3**	-	**3**	-
Total Assets	**71**	139	**71**	139
Current Liabilities	**71**	33	**71**	33
Non-current Liabilities	**726**	434	**726**	434
Total Liabilities	**797**	467	**797**	467
Net Assets	**(726)**	(329)	**(726)**	(329)
Net loss from ordinary activities after income tax of associates	**(396)**	(259)	**(396)**	(259)

d. Due to the immaterial balance of the associated company's retained losses, the economic entity has not reflected its share of the associate's losses in the investment balance.

NOTE 13: CONTROLLED ENTITIES

a. Controlled entities and their contribution to consolidated profit after income tax

	Country of Incorporation	Class of Share	Percentage Owned 2006 %	Percentage Owned 2005 %	Contribution to Profit 2006 $'000	Contribution to Profit 2005 $'000
Controlled Entity: Lightning Nickel Pty Ltd	Australia	Ord	**100**	100	**39,529**	26,153

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	2006	2005	2006	2005
Mine plant and equipment - leased	**4,922**	4,413	**-**	-
Accumulated amortisation	**(2,131)**	(4,115)	**-**	-
	2,791	298	**-**	-
Mine plant and equipment - other	**16,520**	12,043	**-**	-
Accumulated depreciation	**(13,187)**	(6,416)	**-**	-
	3,333	5,627	**-**	-
Other plant and equipment	**1,157**	792	**1,157**	792
Accumulated depreciation	**(508)**	(266)	**(508)**	(266)
	649	526	**649**	526
Total written down value	**6,773**	6,451	**649**	526
Reconciliation of the movement for the year:				
Carrying amount at the beginning of year	***6,451***	*8,252*	***526***	*384*
Additions	***5,356***	*3,127*	***370***	*301*
Disposals	***-***	*-*	***-***	*-*
Depreciation/amortisation expense	***(5,034)***	*(4,928)*	***(247)***	*(159)*
Carrying amount at the end of year	***6,773***	*6,451*	***649***	*526*

NOTE 15: EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	2006	2005	2006	2005
Exploration and evaluation expenditure:				
Opening balance	**14,199**	12,261	**2,933**	2,908
Current year's expenditure	**11,359**	8,115	**4,519**	3,009
Written off during the year	**(6,909)**	(3,463)	**(2,655)**	(2,984)
Amortisation expense	**(2,896)**	(2,714)	**-**	-
	15,753	14,199	**4,797**	2,933
Development expenditure:				
Opening balance	**2,299**	2,219	**-**	-
Current year's expenditure	**2,581**	610	**-**	-
Amortisation expense	**(776)**	(530)	**-**	-
	4,104	2,299	**-**	-
Carrying amount at end of year	**19,857**	16,498	**4,797**	2,933

Note1(h) describes the policy relating to the carrying value of interests in exploration, evaluation and development expenditure

NOTE 16: MINE ACQUISITION AND PRE-PRODUCTION COSTS

	2006	2005	2006	2005
Mine acquisition costs	**3,263**	1,692	**-**	-
Pre-production costs	**1,473**	1,473	**-**	-
	4,736	3,165	**-**	-
Accumulated amortisation	**(2,397)**	(1,741)	**-**	-
Carrying amount at end of year	**2,359**	1,424	**-**	-

Note1(u) describes the policy relating to the carrying value of interests in mine acquisition and pre-production costs

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000

NOTE 17: TRADE AND OTHER PAYABLES

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
CURRENT				
Trade creditors	**4,251**	4,095	**277**	773
GST Payable	**1,654**	960	**3**	8
Employee entitlements	**1,052**	719	**117**	58
Sundry creditors and accrued expenses	**3,664**	2,845	**317**	142
	10,621	8,619	**714**	981

NOTE 18: BORROWINGS

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
CURRENT				
Bank loans (i)	**-**	4,500	**-**	-
Lease liabilities (ii)	**1,398**	672	**-**	-
	1,398	5,172	**-**	-
NON-CURRENT				
Lease liabilities (ii)	**1,809**	117	**-**	-
	1,809	117	**-**	-
Financing Arrangements				
Entities have access to the following financing arrangements at balance date:				
Cash advance facility	**-**	10,000	**-**	-
Less: drawn down portion	**-**	(10,000)	**-**	-
Guarantee facility	**1,500**	1,500	**-**	-
Less: drawn down portion	**(1,001)**	(1,449)	**-**	-
	499	51	**-**	-

(i) The bank loans are secured by a fixed and floating charge over the assets of the economic entity.

(ii) Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

(iii) The facilities are denominated in Australian dollars and interest is charged at the BBSY rate plus an applicable margin. The facilities are repayable by 30 June 2009.

NOTE 19: FINANCIAL LIABILITIES

	Note	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
CURRENT					
Foreign exchange gain	29	**-**	11,779	**-**	-
Commodity hedging loss	29	**36,371**	-	**-**	-
		36,371	11,779	**-**	-

NOTE 20: PROVISIONS

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
NON-CURRENT				
Employee entitlements (i)	**251**	-	**-**	-
Provision for restoration (ii)	**1,174**	1,196	**-**	-
	1,425	1,196	**-**	-

(i) This is a provision for long service leave entitlements. The Company estimates how many employees are likely to complete 10 years of service at our mine site based upon an estimated probability calculation. This forms the basis for the provision.

(ii) A provision for restoration is recognised in relation to mining activities for costs such as reclamation, waste site closure, plant closure and other costs associated with the restoration of the mining site. Estimates of the restoration obligations are based on current technology, legal requirements and future costs. In determining the restoration provision the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such mines in the future. The present value of the provision is based upon the current estimated life of the mine's ore reserves.

	Economic Entity		Parent Entity	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000

NOTE 21: CONTRIBUTED EQUITY

112,271,107 (2005: 106,982,957) fully paid ordinary shares (a)	**22,999**	20,287	**22,999**	20,287
Nil (2005: 3,110,000) partly paid contributing shares (b)	**-**	3	**-**	3
650,000 (2005: 650,000) partly paid unlisted options (d)	**77**	77	**77**	77
	23,076	20,367	**23,076**	20,367
a. Ordinary shares (i)				
At the beginning of year	**20,287**	13,485	**20,287**	13,485
Shares issued during the year				
Issued 1 July 2004 to 30 June 2005	**-**	6,802	**-**	6,802
3,110,000 contributing shares fully paid (b)	**314**	-	**314**	-
375,000 unlisted options exercised at $1.33 (iv)	**499**	-	**499**	-
1,125,000 unlisted options exercised at $1.03 (v)	**1,159**	-	**1,159**	-
269,400 unlisted options exercised at $1.16 (vi)	**312**	-	**312**	-
102,500 unlisted options exercised at $1.16 (vii)	**119**	-	**119**	-
62,500 unlisted options exercised at $1.20 (vi)	**75**	-	**75**	-
243,750 unlisted options exercised at $0.96 (vi)	**234**	-	**234**	-
Transaction costs relating to share issues	**-**	-	**-**	-
At reporting date	**22,999**	20,287	**22,999**	20,287

	No. '000	No. '000	No. '000	No. '000
At the beginning of the year	***106,983***	*75,237*	***106,983***	*75,237*
Shares issued during the year	***5,288***	*31,746*	***5,288***	*31,746*
At reporting date	***112,271***	*106,983*	***112,271***	*106,983*

	2006 $'000	2005 $'000	2006 $'000	2005 $'000
b. Ordinary Contributing Shares – Partly Paid (ii)				
At beginning of the year	**3**	7	**3**	7
Converted to ordinary shares during the year	**(3)**	(4)	**(3)**	(4)
At reporting date	**-**	3	**-**	3

	No. '000	No. '000	No. '000	No. '000
At beginning of the year	***3,110***	*7,310*	***3,110***	*7,310*
Converted to ordinary shares during the year	***(3,110)***	*(4,200)*	***(3,110)***	*(4,200)*
At reporting date	***-***	*3,110*	***-***	*3,110*

	Economic Entity		Parent Entity	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000

NOTE 21: CONTRIBUTED EQUITY (continued)

c. Options for Ordinary Shares - Listed (iii)

	2006 $'000	2005 $'000	2006 $'000	2005 $'000
At beginning of the year	**-**	246	**-**	246
Converted to ordinary shares during the year	**-**	(245)	**-**	(245)
Expired during the year	**-**	(1)	**-**	(1)
At reporting date	**-**	-	**-**	-

	No. '000	No. '000	No. '000	No. '000
At beginning of the year	**-**	*24,553*	**-**	*24,553*
Converted to ordinary shares during the year	**-**	*(24,546)*	**-**	*(24,546)*
Expired during the year	**-**	*(7)*	**-**	*(7)*
At reporting date	**-**	-	**-**	-

d. Options for Ordinary Shares - Unlisted (iv)

	2006 $'000	2005 $'000	2006 $'000	2005 $'000
At beginning of the year	**77**	39	**77**	39
Issued during the year	**38**	38	**38**	38
Converted to ordinary shares during the year	**(38)**	-	**(38)**	-
At reporting date	**77**	77	**77**	77

	No. '000	No. '000	No. '000	No. '000
At beginning of the year	***750***	*375*	***750***	*375*
Issued during the year	***375***	*375*	***375***	*375*
Converted to ordinary shares during the year	***(375)***	-	***(375)***	-
At reporting date	***750***	*750*	***750***	*750*

(i) Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Each ordinary share is entitled to one vote.

(ii) Contributing shares were issued during the year ended 30 June 2002 paid to 0.1 cent each. Payment of a further 10 cents each was made to entitle the holder to one ordinary fully paid share.

(iii) The options expired on 31 January 2005.

(iv) On 26 November 2003 the Company issued 1,500,000 unlisted options exercisable at $1.33 to non-executive directors. A cash payment of 10.3 cents is made on application for each of four tranches to be issued over 4 years. The 10.3 cents is non-refundable but is included in the exercise price should the options be exercised on vesting.

(v) These options were issued to executive directors on 26 November 2003.

(vi) These options were issued under the Employee Option Plan.

(vii) These options were issued to employees in March 2004 and were not issued under the Employee Option Plan.

(viii) At the end of the year there were 5,046,850 (2005: 7,175,000) unissued shares in respect of which options were outstanding.

	Note	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000

NOTE 22: RESERVES

	Note	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Share-based payment reserve (i)		**1,499**	986	**1,499**	986
Hedging reserve (ii)	29	**(19,790)**	-	**-**	-
		(18,291)	986	**1,499**	986
Share-based payment reserve					
Balance at the start of the year		***986***	-	***986***	-
Current year		***513***	*986*	***513***	*986*
Balance at the end of the year		***1,499***	*986*	***1,499***	*986*
Hedging reserve					
Balance at the start of the year		***-***	-	***-***	-
Adjustment on adoption of AASB 132 and AASB 139		***(5,816)***	-	***-***	-
Current year		***(13,974)***	-	***-***	-
Balance at the end of the year		***(19,790)***	-	***-***	-

(i) The share-based payment reserve is used to record the value of options provided to employees and directors as part of their remuneration.

(ii) 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 and loss when the associated hedged transaction affects profit and loss.

NOTE 23: RETAINED EARNINGS

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Retained profits at the beginning of the financial year	**28,286**	16,077	**1,920**	5,865
Effect of AASB 132 on retained profits 1 July 2005	**(12,356)**	-	**(5,663)**	-
Dividends paid – fully franked	**(7,772)**	(8,694)	**(7,772)**	(8,694)
Net profit attributable to the members of the parent entity	**34,986**	20,903	**15,456**	4,749
Retained profits at the end of the financial year	**43,144**	28,286	**3,941**	1,920

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000

NOTE 24: CAPITAL AND LEASING COMMITMENTS

a. Operating Lease Commitments

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable:				
not later than 1 year	**153**	141	**153**	141
later than 1 year but not later than 5 years	**217**	564	**217**	564
later than 5 years	**-**	-	**-**	-
	370	705	**370**	705

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

b. Finance Lease Commitments

	Economic Entity 2006 $'000	Economic Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Finance and hire purchase rentals for plant and equipment are payable as follows:				
not later than 1 year	**1,528**	709	**-**	-
later than 1 year but not later than 5 years	**2,044**	125	**-**	-
minimum lease payments	**3,572**	834	**-**	-
less: future lease finance charges	**(365)**	(45)	**-**	-
Recognised as a liability	**3,207**	789	**-**	-
Finance and hire purchase liabilities provided for in the financial statements				
Current	**1,398**	672	**-**	-
Non-current	**1,809**	117	**-**	-
Total liability	**3,207**	789	**-**	-

c. Exploration Commitments

In order to maintain current rights of tenure to certain exploration tenements, the Company will be required to spend $3,578,000 in 2006/7.

d. Capital Commitments

The economic entity has ordered underground machinery for the Long Nickel Mine operations at a cost of $2,949,589 which is expected to be delivered and for which cash payment is to be made by December 2006.

NOTE 25: SEGMENT INFORMATION

The economic entity operated in two industrial or Primary segments, which were the mining and mineral exploration industries. The economic entity operated only in one geographical or Secondary segment which was Australia.

	Mining $'000	Exploration $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Primary Industrial Segment Information 2006				
Revenue from external customers	**112,583**	**-**	**-**	**112,583**
Inter-segment revenue	**-**	**-**	**-**	**-**
Other revenue	**-**	**-**	**821**	**821**
Total segment revenue	**112,583**	**-**	**821**	**113,404**
Consolidated entity profit/(loss) after income tax	**39,530**	**(4,544)**	**-**	**34,986**
Segment assets	**82,311**	**32,269**	**-**	**114,580**
Segment liabilities	**55,557**	**11,094**	**-**	**66,651**
Depreciation and amortisation expense	**9,095**	**247**	**-**	**9,342**
Other non-cash expenses	**578**	**6,944**	**513**	**8,035**

	Mining $'000	Exploration $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Primary Industrial Segment Information 2005				
Revenue from external customers	85,766	-	-	85,766
Inter-segment revenue	-	-	-	-
Other revenue	-	21	816	837
Total segment revenue	85,766	21	816	86,603
Consolidated entity profit/(loss) after income tax	26,028	(5,125)	-	20,903
Segment assets	57,272	29,253	-	86,525
Segment liabilities	25,903	10,983	-	36,886
Depreciation and amortisation expense	5,937	2,714	159	8,810
Other non-cash expenses	114	4,109	-	4,223

NOTE 26: CASH FLOW INFORMATION

	Economic Entity		Parent Entity	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
a. Reconciliation of Cash Flow from Operations with Profit from ordinary activities after Income Tax				
Profit from ordinary activities after income tax	**34,986**	20,903	**15,456**	4,750
Non-cash flows in profit from ordinary activities:				
Revaluation of investments in listed entities	**(1,236)**	-	**(1,236)**	-
Unrealised gain on trade debtors revaluation	**(1,117)**	-	**-**	-
Hedge reserve adjustments to income statement	**(1,393)**	-	**-**	-
Depreciation	**5,033**	3,038	**246**	159
Write-off of capitalised expenditure	**6,909**	3,463	**2,655**	2,984
Exploration costs expensed	**-**	981	**-**	981
Amortisation	**4,308**	5,772	**-**	-
Share-based payment expense	**513**	646	**513**	646
Changes in assets and liabilities:				
(Increase)/decrease in trade debtors	**(21,444)**	1,754	**-**	(111)
(Increase)/decrease in other debtors	**375**	(46)	**44**	-
Increase in trade and other payables	**2,002**	599	**(267)**	195
(Increase)/decrease in inventory	**(199)**	(86)	**-**	-
Increase in deferred tax asset	**(3,627)**	-	**(37)**	-
Increase in current tax payable	**1,901**	-	**(16,588)**	-
Increase in deferred tax liability	**3,114**	-	**909**	-
Increase/(decrease) in provisions	**229**	2,497	**-**	(1,826)
Cash flows from operations	**30,354**	39,521	**1,695**	7,778

b. Non-cash Financing and Investing Activities

During the year the economic entity acquired leased plant and equipment with an aggregate value of $3,090 thousand (2005: $nil).

NOTE 27: EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial year the Company placed orders to purchase new underground machinery for $2,950 thousand.

On 6 September 2006 the Company announced a fully franked final dividend of 7 cents per share will be paid on 17 October 2006.

No other matter or circumstance has arisen since the end of the financial year which significantly affected or may significant affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

NOTE 28: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

	Economic Entity		Parent Entity	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
a. Director-related Entities				
Consulting fees have been paid to Virtual Genius Pty Ltd, a company to which director Mr Bonwick is related	**14**	16	**14**	16
Consulting fees have been paid to BFP Consultants Pty Ltd and MiningOne Pty Ltd, companies to which a director of a subsidiary is associated	**65**	165	**-**	21
	No.	No.	No.	No.
b. Share Transactions of Key Management Personnel				
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in Independence Group NL:				
ordinary shares	**6,563,506**	5,563,506	**6,563,506**	5,563,506
options over ordinary shares (unlisted)	**2,250,000**	3,750,000	**2,250,000**	3,750,000
Other key management personnel hold directly, indirectly or beneficially as at the reporting date the following equity interests in Independence Group NL:				
ordinary shares	**50,000**	125,000	**50,000**	-
options over ordinary shares (unlisted)	**112,500**	-	**-**	-

c. The Company's key management personnel during the period were non-executive directors Rod Marston (Chairman), John Christie and Oscar Aamodt, executive directors Christopher Bonwick (Managing Director) and Kelly Ross (Company Secretary), and employees Timothy Moran (Group Operations Manager) and Brett Hartmann (General Manager – Long Nickel Mine). All were in office for the entire financial year except for Oscar Aamodt who was appointed on 3 August 2005 and Brett Hartmann who became a key management person on 1 September 2005.

Share options have been issued to directors and executives of the Company. Each share option converts into one ordinary share of Independence Group NL on exercise. Share options issued by Independence Group NL to key management personnel are as follows:

	Balance start of year No.	Granted during year No.	Exercised during year No.	Balance at end of year No.	Vested at end of year No.	Vested and exercisable No.	Options Vested During year No.
R Marston (i)	1,000,000	-	250,000	750,000	500,000	250,000	250,000
C Bonwick (ii)	1,500,000	-	750,000	750,000	750,000	-	375,000
K Ross (ii)	750,000	-	375,000	375,000	375,000	-	187,500
J Christie (i)	500,000	-	125,000	375,000	250,000	125,000	125,000
O Aamodt	-	-	-	-	-	-	-
T Moran	-	-	-	-	-	-	-
B Hartmann (iii)	150,000	-	37,500	112,500	-	-	37,500
	3,900,000	**-**	**1,537,500**	**2,362,500**	**1,875,000**	**375,000**	**975,000**

The options do not entitle the holder to voting or dividend rights. Options may be exercised at any time from the date on which they vest to the date of their expiry.

(i) The options were issued to non-executive directors pursuant to resolutions 6 and 7 passed at the 2003 Annual General Meeting. The options were issued on 26 November 2003. The options vest 25% each 12 month period and are exercisable at $1.33. The options are only exercisable once payment of 10.3 cents each is received by the Company. This cash payment is required to be made within 30 days of the commencement of each vesting period. The cash payment is non-refundable but forms part of the exercise price should the options eventually be exercised. The cash payment for the first three tranches of options has been received from the non-executive directors. Any options that have not vested are cancelled should the director resign or be removed as a director of the Company. The options expire on 30 June 2008. The fair value of the options at their grant date was 29.2 cents each.

(ii) The options were issued to executive directors pursuant to resolutions 4 and 5 passed at the 2003 Annual General Meeting. The options were issued on 26 November 2003. The options vest 25% each 12 month period and are exercisable at $1.03. Any options that have not vested are cancelled should the director resign or be removed as an employee of the Company. The options expire on 30 June 2008. The fair value of the options at their grant date was 43.8 cents each.

(iii) The options were issued to the executive on 10 February 2005. The options vest 25% each 12 month period and are exercisable at $1.16. Any options that have not vested are cancelled should the executive resign or be removed as an employee of the Company. The options expire on 30 June 2010. The fair value of the options at their grant date was 21.1 cents each.

The difference between the total market value of options issued during a financial year, at the date of issue, and the total amount received from directors and executives, is not recognised in the financial statements. The amounts are disclosed in key management personnel's compensation in respect of the financial years over which the entitlement is earned in the Remuneration Report, which forms part of the Directors' Report.

Consideration received from the cash payment in note 28(c)(i) and consideration received on the exercise of options is recognised in contributed equity. During the year $38,625 was recognised in contributed equity arising from the cash payment by non-executive directors. During the year an additional $460,125 was recognised in contributed equity arising from the exercise of non-executives' options described in note 31(c)(i) and $1,158,750 was recognised in contributed equity arising from the exercise of executive's options described in note 28(c)(ii).

Shareholdings of key management personnel for the year ending 30 June 2006

	Balance at Start of Year	Remuneration Options Exercised	Net Other Change During the Year	Balance at End of Year
R Marston	1,200,000	250,000	-	1,450,000
C Bonwick	3,523,506	750,000	(400,000)	3,873,506
K Ross	610,000	375,000	(100,000)	885,000
J Christie	220,000	125,000	-	345,000
O Aamodt	10,000	-	-	10,000
T Moran	125,000	-	(75,000)	50,000
B Hartmann	-	37,500	(37,500)	-
Total	**5,688,506**	**1,537,500**	**(612,500)**	**6,613,506**

Shareholdings of key management personnel for the year ending 30 June 2005

	Balance at Start of Year	Remuneration Options Exercised	Net Other Change During the Year	Balance at End of Year
R Marston	160,000	-	1,040,000	1,200,000
C Bonwick	4,053,504	-	(529,998)	3,523,506
K Ross	10,000	300,000	300,000	610,000
J Christie	180,000	-	40,000	220,000
O Aamodt	-	-	10,000	10,000
T Moran	72,029	950,000	(897,029)	125,000
B Hartmann	-	-	-	-
Total	**4,475,533**	**1,250,000**	**(37,027)**	**5,688,506**

d. Other related entities

During the financial year a wholly-owned entity paid dividends of $20,000,000 to Independence Group NL. This amount has been included in note 2 to the Financial Statements but has been eliminated on consolidation for the purposes of calculating the profit of the economic entity for the financial year.

e. Details of compensation paid to key management personnel are contained in the Remuneration Report which forms part of the Directors' Report.

NOTE 29: FOREIGN EXCHANGE AND COMMODITY CONTRACTS

At 30 June 2006 the economic entity 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.

NOTE 29: FOREIGN EXCHANGE AND COMMODITY CONTRACTS (continued)

The following summarises the hedge contracts held by the economic entity at 30 June 2006:

Year	Sell (Nickel Tonnes)	USD/tonne	Exchange Rate	AUD/tonne
2006/7	1,800	11,879	A/US0.6853	17,335
2007/8	2,400	12,907	A/US0.7304	17,670
2008/9	2,400	13,513	A/US0.7309	18,489
Total	6,600	12,847	A/US0.7187	17,876

The hedge contracts are to be settled at the rate of 150 tonnes per month in 2006/7 and 200 tonnes per month in 2007/8 and 2008/9. The hedge contracts have been marked to market value as at 30 June 2006 and the resulting surplus/deficit compared to market value is reflected in Financial Assets, Financial Liabilities and Reserves in the consolidated Balance Sheet.

The forecasted transaction is expected to occur 3 months prior to the maturity of its respective commodity and foreign exchange contracts.

The portion of the gain or loss on the hedging instruments to be an effective hedge is recognised directly in equity when the forecasted transaction occurs, the group adjusts the amounts deferred in equity to the income statement. During the year ended 30 June 2006, $5,298,219 (2005 $nil) was released from equity to the income statement for the Group only.

NOTE 30: FINANCIAL RISK MANAGEMENT

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

Risk management is overseen by the Risk Management and Hedging Committees 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.

a. Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest		Non-interest Bearing		Total	
	2006 %	2005 %	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Financial Assets:								
Cash	**5.02**	4.91	**26,129**	19,414	**1**	4,812	**26,130**	24,226
Receivables			**25**	514	**34,880**	12,142	**34,905**	12,656
Investments			**-**	-	**8,227**	12,410	**8,227**	12,410
Total Financial Assets			**26,154**	19,928	**43,108**	29,364	**69,262**	49,292
Financial Liabilities:								
Payables			**-**	-	**9,569**	7,900	**9,569**	7,900
Bank Loans	**-**	7.97	**-**	4,500	**-**	-	**-**	4,500
Lease Liabilities	**8.12**	7.62	**3,207**	789	**-**	-	**3,207**	789
Total Financial Liabilities			**3,207**	5,289	**9,569**	7,900	**12,776**	13,189

b. Credit Risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

c. Market Risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group is paid in US dollars for its nickel deliveries and is exposed to foreign exchange risk arising from currency exposures to the US dollar.

Forward contracts transacted by the Hedging Committee are sometimes used to manage foreign exchange risk. The Board is responsible for managing exposures in foreign currency by using external forward currency contracts.

The Group's risk management policy is to hedge between 0% and 100% of anticipated transactions in US dollars for the subsequent 12 months. All of the projected purchases qualify as "highly probable" forecast transactions for hedge accounting purposes.

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available-for-sale fair value through profit or loss.

d. Commodity Price Risk

Commodity price risk arises when nickel production is delivered to customers and a financial asset is created. The nickel price fluctuates for three months until final settlement with the customer.

Forward contracts are used to manage the commodity price fluctuation. It is the Board's policy to hedge between 0% and 100% of future anticipated transactions. All of the hedges qualify as "highly probable" forecast transactions for hedge accounting purposes.

e. Net Fair Values

The net fair values of unlisted investments where there is no organised financial market have been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.

The net fair value of assets and liabilities approximates the carrying value.

No financial assets or financial liabilities are readily traded on organised markets except for listed investments.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

Aggregate net fair values and carrying amounts of financial assets at balance date:

	2006		2005	
	Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial Assets				
Listed investments	**7,663**	**7,663**	11,846	11,846
Security deposit	**25**	**25**	514	514
Unlisted investments	**564**	**564**	564	564
	8,252	**8,252**	12,924	12,924

NOTE 31: COMPANY DETAILS

The registered office and principal place of business of the Company is Suite 9, Level 3 PDM House, 72 Melville Parade, South Perth, Western Australia. The Group had 153 (2005: 139) employees at the end of the financial year of which 18 (2005: 14) were employed by the parent entity.

NOTE 32: ECONOMIC DEPENDENCY

Independence Group NL depends on WMC Resources Ltd for a significant volume of revenue. During the year ended 30 June 2006 all sales revenue was sourced from this company. The agreement relating to sales revenue contains provision for the Company to seek alternative revenue providers in the event that WMC Resources Ltd is unable to accept supply of the Company's product due to a force majeure event.

NOTE 33: CONTINGENT LIABILITIES

Lightning Nickel Pty Ltd, which is 100% owned by Independence Group NL, has guarantees of $1,001,000 outstanding to various third parties. The guarantees relate to environmental and rehabilitation bonds predominantly for the Long Nickel Mine.

NOTE 34: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2006:

(a) On 24 September 2003, the Company issued 1,300,000 unlisted options exercisable at 96 cents to employees. A further 150,000 were issued on 4 February 2004. The options were issued pursuant to the Company's Employee Option Plan. 618,750 options had been exercised or cancelled as at the end of the financial year and 75,000 options have been exercised since the end of the financial year. The remaining 756,250 expire on 30 September 2008.

(b) On 26 November 2003, the Company issued 1,000,000 unlisted options to director Rod Marston and 500,000 to director John Christie. The options are exercisable at $1.33 with 10.3 cents payable on allotment. The options were issued pursuant to resolutions 6 and 7 passed at the 2003 Annual General Meeting and 375,000 had been exercised at the end of the financial year. The remaining 1,125,000 options expire on 30 June 2008.

(c) On 26 November 2003, the Company issued 1,500,000 unlisted options to director Christopher Bonwick and 750,000 to director Kelly Ross. The options are exercisable at $1.03. The options were issued pursuant to resolutions 4 and 5 passed at the 2003 Annual General Meeting and 1,125,000 had been exercised at the end of the financial year. The remaining 1,125,000 options expire on 30 June 2008.

(d) On 31 March 2004, the Company issued 550,000 unlisted options exercisable at $1.16 to employees. The options were issued pursuant to the Company's Employee Option Plan. 131,900 options were exercised as at the end of the financial year. The remaining 418,100 expire on 30 June 2009.

(e) On 31 March 2004, the Company issued 750,000 unlisted options exercisable at $1.16 to employees. 102,500 options had been exercised as at the end of the financial year. The remaining 647,500 expire on 30 June 2009.

(f) On 20 December 2004, the Company issued 250,000 unlisted options exercisable at $1.20 to employees. 62,500 options had been exercised at the end of the financial year. The options were issued pursuant to the Company's Employee Option Plan and the remaining 187,500 expire on 30 June 2009.

(g) On 10 February 2005, the Company issued 800,000 unlisted options exercisable at $1.16 to employees. The options were issued pursuant to the Company's Employee Option Plan. 387,500 options had been exercised or cancelled as at the end of the financial year. The remaining 412,500 expire on 30 June 2010.

(h) On 23 December 2005, the Company issued 150,000 unlisted options exercisable at $1.59 to employees. The options were issued pursuant to the Company's Employee Option Plan and expire on 30 June 2010.

(i) On 2 May 2006, the Company issued 100,000 unlisted options exercisable at $2.94 to employees. The options were issued pursuant to the Company's Employee Option Plan and expire on 30 June 2010.

(j) On 16 May 2006, the Company issued 50,000 unlisted options exercisable at $3.07 to employees. The options were issued pursuant to the Company's Employee Option Plan and expire on 30 June 2010.

All options issued are exercisable 25% at the end of each year for four years, providing the employee or director is still employed or engaged by the Company. If employment or directorship is terminated, only those options already vested will be exercisable with the unvested portion cancelled. All options entitle the holder to one ordinary share in Independence Group NL for every option held and no dividend or voting rights attach to options on issue.

	Economic Entity				Parent Entity			
	2006		2005		2006		2005	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the Beginning of the year	**6,925,000**	**1.12**	7,950,000	0.99	**6,925,000**	**1.12**	7,950,000	0.99
Granted	**300,000**	**2.29**	1,050,000	1.17	**300,000**	**2.29**	1,050,000	1.17
Forfeited	**-**	**-**	(625,000)	1.04	**-**	**-**	(625,000)	1.04
Exercised	**(2,178,150)**	**1.14**	(1,250,000)	0.35	**(2,178,150)**	**1.14**	(1,250,000)	0.35
Expired	**-**	**-**	-	-	**-**	**-**	-	-
Outstanding at year-end	**5,046,850**	**1.20**	6,925,000	1.12	**5,046,850**	**1.20**	6,925,000	1.12
Exercisable at year-end	**1,046,850**	**1.07**	1,300,000	1.10	**1,046,850**	**1.07**	1,300,000	1.10

There were 2,178,150 options exercised during the year ended 30 June 2006. These options had a weighted average share price of $1.14 at exercise date.

The options outstanding at 30 June 2006 had a weighted average exercise price of $1.20 and a weighted average remaining contractual life of 2.46 years. Exercise prices range from $0.96 to $3.07 in respect of options outstanding at 30 June 2006.

The weighted average fair value of the options granted during the year was $0.72.

This price was calculated by using a Binomial option pricing model applying the following inputs:

Weighted average exercise price	$2.29
Weighted average life of the option	4.17 years
Underlying share price	$2.30
Expected share price volatility	44.9%
Risk free interest rate	5.4%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under share-based payment expense in the income statement is $513 thousand (2005: $646 thousand), and relates, in full, to equity-settled share-based payment transactions.

NOTE 35: IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Independence Group NL has transitioned its accounting policies and financial reporting from Australian Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (A-IFRS).

a. AASB 1 Transitional Exemptions

The Company made its election in relation to the transitional exemptions allowed by AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards as follows:

Share-based payment transactions

AASB 2 Share-Based Payments is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The Company elected to adopt this exemption and has applied AASB 132 Financial Instruments: Presentation and Disclosure and AASB 139 Financial Instruments: Recognition and Measurement to its financial instruments from 1 July 2005. At the date of transition (1 July 2004) the effect of adopting these standards in relation to hedging contracts was a decrease in net assets of $18,172 thousand for the Group (parent entity: $5,663 thousand). This relates to valuation of investments in listed entities ($5,663 thousand) and valuation of hedging contracts ($12,509 thousand).

b. Impact of adoption of IFRS

The impact of adopting A-IFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 (AGAAP) is illustrated below:

Reconciliation of equity under AGAAP to that under A-IFRS:

	Economic Entity		Parent Entity	
	30 June 2005** $'000	1 July 2004* $'000	30 June 2005** $'000	1 July 2004* $'000
Total equity under AGAAP	50,188	30,838	23,273	19,982
Adjustments to retained earnings (net of tax)				
Recognition of restoration expense	(784)	(885)	-	-
Recognition of share-based payment expense	(985)	(339)	(985)	(339)
Increase in deferred tax asset	235	264	-	-
Adjustments to other reserves (net of tax)				
Recognition of share-based payment expense in equity	985	339	985	339
Total equity under A-IFRS	49,639	30,217	23,273	19,982

* This column represents the adjustments as at the date of transition to A-IFRS.

** This column represents the cumulative adjustments as at the date of transition to A-IFRS and those for the year ended 30 June 2005.

NOTE 35: IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (continued)

	Economic Entity 30 June 2005 $'000	Parent Entity 30 June 2005 $'000
Reconciliation of net profit under AGAAP to that under A-IFRS		
Net profit as reported under AGAAP	21,454	5,396
Share-based payment expense	(646)	(646)
Provision for restoration	95	-
Adjustment to income tax expense	-	(1)
Net profit under A-IFRS	20,903	4,749

c. Explanation of A-IFRS affected items

Set out below are the key areas where accounting policies have changed and may have an impact on the financial report of the Company.

(i) Classification and Disclosure of Financial Instruments

The directors elected to apply the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards which permits entities not to apply the requirements of AASB 139 Financial Instruments: Recognition and Measurement and AASB 132 Financial Instruments: Disclosure and Presentation for the financial year ended 30 June 2005. The standards have been applied from 1 July 2005. Accordingly, there are no quantitative impacts on the 30 June 2005 financial statements. The statements of changes in equity show the impact of these standards on 1 July 2005.

(ii) Share Based Payments

Under AASB 2 Share based Payments, the Company is required to determine the fair value of options issued to employees as remuneration and recognise an expense in the income statement. The standard applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. As a consequence, contributed equity has increased by $339 thousand and an additional employee benefit expense of $646 thousand has been recognised in profit and loss for the financial year ended 30 June 2005.

(iii) Income Taxes

Under AASB 112 Income Taxes, the Company is required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either profit and loss or a tax-based balance sheet. The adoption of this standard has resulted in an increase in contributed equity of the consolidated entity of $235 thousand for the financial year ended 30 June 2005 (parent entity: $nil).

(iv) Provision for Rehabilitation and Mine Closure

Under AGAAP, the consolidated entity provided for the future cost of rehabilitating and closing its mine operations based on charging to costs of production on a gradual basis over the life of the economically recoverable resources. Costs were estimated on the basis of current undiscounted costs, current legal requirements and current technology.

Under AASB 137 Provisions, Contingent Liabilities and Contingent Assets a provision is required to be brought to account as soon as there is a probable outflow of resources that can be measured reliably. The provision for restoration is based on the discounted cash flow of the expected future cost, discounted at 10%. The effect of this adjustment for the consolidated entity is a decrease in retained earnings of $1,195 thousand (parent entity $nil) for the financial year ended 30 June 2005. The provision for restoration calculated under AGAAP has been reversed, resulting in an increase in retained earnings of $411 thousand (parent entity $nil).

(v) Retained Earnings

With limited exceptions (refer to note (ii)), adjustments required on first-time adoption of A-IFRS are recognised directly in retained earnings at the date of transition to A-IFRS. The cumulative effect of these adjustments for the consolidated entity is a decrease in retained earnings of $1,534 thousand (parent entity $985 thousand) for the financial year ended 30 June 2005.

d. Impact on Cash Flow Statement

There is no material effect on the cash flow of the Parent Entity or the Consolidated Entity for the current or previous financial year.

NOTE 36: CHANGES IN ACCOUNTING POLICY

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and economic entity, but are not yet effective. They have therefore not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	AASB Standard Affected	Nature of change In Accounting Policy and Impact	Application Date of the Standard[1]	Application Date[1] for the Group
2004-3	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2006	1 July 2006
	AASB 124: Related Party Disclosures	No change, no impact	1 January 2006	1 July 2006
2005-1	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005-5	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005-6	AASB 3: Business Combinations	No change, no impact	1 January 2006	1 July 2006
2005-9	AASB 132: Financial Instruments: Recognition and Measurement	Relates to financial guarantee contracts which may require Independence Group NL to recognise a liability in relation to a guarantee provided for Lightning Nickel Pty Ltd and other guarantees relating to banking facilities, approved deeds and property lease rentals	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Disclosure and Presentation	Independence Group NL is in the process of evaluating the effect of these changes of which the impact is not reasonably estimable at the date of this financial report	1 January 2006	1 July 2006
2005-10	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2007	1 July 2007
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2007	1 July 2007
	AASB 114: Segment Reporting	No change, no impact	1 January 2007	1 July 2007
	AASB 117: Leases	No change, no impact	1 January 2007	1 July 2007
	AASB 133: Earnings per share	No change, no impact	1 January 2007	1 July 2007
	AASB 132: Financial Instruments: Disclosure and Presentation	No change, no impact	1 January 2007	1 July 2007
	AASB 1: First time Adoption of AIFRS	No change, no impact	1 January 2007	1 July 2007
2006-1	AASB 121: The Effects of Changes in Foreign Exchange Rates	No change, no impact	1 January 2006	1 July 2006
New Standard	AASB 7: Financial Instruments: Disclosure	No change, no impact	1 January 2007	1 July 2007
New Standard	AASB 119: Employee Benefits: December 2004	No change, no impact	1 January 2006	1 July 2006

All other pending Standards issued between the previous financial report and the current reporting date have no application to either the parent or economic entity.

AASB Amendment	AASB Standard Affected
2005-2	AASB 1023: General Insurance Contracts
2005-4	AASB 139: Financial Instruments: Recognition and Measurement
	AASB 132: Financial Instruments: Disclosure and Presentation
2005-9	AASB 4: Insurance Contracts
	AASB 1023: General Insurance Contracts
	AASB 139: Financial Instruments: Recognition and Measurement
	AASB 132: Financial Instruments: Disclosure and Presentation
2005-10	AASB 4: Insurance Contracts
	AASB 1023: General Insurance Contracts
	AASB 1038: Life Insurance Contracts

[1] *Application date of the Standard refers to the annual reporting periods commencing on or after this date.*

NOTE 37: BOARD APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the directors on 22nd September 2006.

Directors' Declaration

The directors of the Company declare that in their opinion:

1. the financial statements and notes of the Company and the consolidated entity:
   a. comply with Accounting Standards and the Corporations Act 2001; and
   b. give a true and fair view of the financial position as at 30 June 2006 and performance for the year ended on that date of the Company and economic entity;
2. there are reasonable grounds to believe that the economic entity will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2006.

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

C M Bonwick
Managing Director

Dated this 22nd day of September 2006

Independent Audit Report to the Members of Independence Group NL

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Independence Group NL (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the compensation of Key Management Personnel ("compensation disclosures") as required under AASB 124 Related Party disclosures, under the heading "Remuneration Report" in the directors' report and not in the financial report.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are responsible for the preparation and presentation of the compensation disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and that the compensation disclosures in the directors' report comply with Accounting Standard AASB 124. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the compensation disclosures in the directors' report comply with Accounting Standard AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

Audit Opinion

In our opinion, the financial report of Independence Group NL is in accordance with:

1 (a) the Corporations Act 2001, including:

i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

2 The compensation disclosures that are contained under the heading "Remuneration Report" in the directors' report comply with Accounting Standard AASB 124.

BDO
Chartered Accountants

B G McVeigh
Perth, Western Australia

22 September 2006

The following additional information not shown elsewhere in this report is required by the Australian Stock Exchange Ltd in respect of listed public companies only. This information is current as at 6 September 2006.

1. Shareholding

a. Distribution of shareholders:

Category (size of Holding)	Ordinary Shares
1 – 1,000	368
1,001 – 5,000	1,236
5,001 – 10,000	627
10,001 – 100,000	780
100,001 – and over	91
	3,102

b. The number of shareholders holding less than a marketable parcel of fully paid ordinary shares is 14.

c. The Company has received a notice of substantial holding in relation to 7,003,658 ordinary shares from MIR Investment Management Limited and 6,345,188 ordinary shares from Barclays Global Investors Australia Limited.

d. Voting Rights

The voting rights of each class of share are as follows:-

Fully Paid Ordinary Shares – one vote per share held.

Options – no voting rights are attached to unexercised options.

2. The name of the company secretary is Mrs Kelly Ross. Mrs Ross holds a Bachelor of Business in Accounting from Curtin University and the designation CPA from the Australian Society of Certified Practising Accountants.

3. The address of the principal registered office in Australia is Suite 9 PDM House, 72 Melville Parade, South Perth, Western Australia, Telephone (08) 9367 2755.

4. The Register of securities is held at Security Transfer Registrars Pty Ltd at 770 Canning Highway, Applecross, Western Australia.

5. There is no current on-market buy-back of the Company's securities.

6. Stock Exchange Listing

Quotation has been granted for 112,833,607 ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited. Unquoted securities are detailed in Note 7 below.

7. Unquoted Securities

The following securities have been issued and the Company has not requested their quotation by the Australian Stock Exchange:-

Unlisted Options

(a) On 24 September 2003, the Company issued 1,300,000 unlisted options exercisable at 96 cents to employees. A further 150,000 were issued on 4 February 2004. The options were issued pursuant to the Company's Employee Option Plan. 618,750 options had been exercised or cancelled as at the end of the financial year and 187,500 options have been exercised since the end of the financial year. The remaining 643,750 expire on 30 September 2008.

(b) On 26 November 2003, the Company issued 1,000,000 unlisted options to director Rod Marston and 500,000 to director John Christie. The options are exercisable at $1.33 with 10.3 cents payable on allotment. The options were issued pursuant to resolutions 6 and 7 passed at the 2003 Annual General Meeting and 375,000 had been exercised at the end of the financial year. 375,000 options have been exercised since the end of the financial year and the remaining 750,000 options expire on 30 June 2008.

(c) On 26 November 2003, the Company issued 1,500,000 unlisted options to director Christopher Bonwick and 750,000 to director Kelly Ross. The options are exercisable at $1.03. The options were issued pursuant to resolutions 4 and 5 passed at the 2003 Annual General Meeting and 1,125,000 had been exercised at the end of the financial year. The remaining 1,125,000 options expire on 30 June 2008.

(d) On 31 March 2004, the Company issued 550,000 unlisted options exercisable at $1.16 to employees. The options were issued pursuant to the Company's Employee Option Plan. 131,900 options were exercised as at the end of the financial year. The remaining 418,100 expire on 30 June 2009.

(e) On 31 March 2004, the Company issued 750,000 unlisted options exercisable at $1.16 to employees. 102,500 options had been exercised as at the end of the financial year. The remaining 647,500 expire on 30 June 2009.

(f) On 20 December 2004, the Company issued 250,000 unlisted options exercisable at $1.20 to employees. 62,500 options had been exercised at the end of the financial year. The options were issued pursuant to the Company's Employee Option Plan and the remaining 187,500 expire on 30 June 2009.

(g) On 10 February 2005, the Company issued 800,000 unlisted options exercisable at $1.16 to employees. The options were issued pursuant to the Company's Employee Option Plan. 387,500 options had been exercised or cancelled as at the end of the financial year. The remaining 412,500 expire on 30 June 2010.

(h) On 23 December 2005, the Company issued 150,000 unlisted options exercisable at $1.59 to employees. The options were issued pursuant to the Company's Employee Option Plan and expire on 30 June 2010.

(i) On 2 May 2006, the Company issued 100,000 unlisted options exercisable at $2.94 to employees. The options were issued pursuant to the Company's Employee Option Plan and expire on 30 June 2010.

(j) On 16 May 2006, the Company issued 50,000 unlisted options exercisable at $3.07 to employees. The options were issued pursuant to the Company's Employee Option Plan and expire on 30 June 2010.

8. 20 Largest Holders of Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Westpac Custodian Nominees Limited	9,949,495	8.82
2.	J P Morgan Nominees Australia Limited	9,661,618	8.56
3.	ANZ Nominees Limited	8,117,205	7.19
4.	National Nominees Limited	6,980,974	6.19
5.	Citicorp Nominees Pty Limited	6,869,618	6.08
6.	RBC Dexia Investor Services Australia Nominees Pty Limited	3,649,218	3.23
7.	Forty Traders Limited	3,440,000	3.05
8.	Cogent Nominees Pty Limited	3,250,093	2.88
9.	Virtual Genius Pty Ltd	3,000,000	2.66
10.	Karen Alana Schiller	2,580,000	2.29
11.	Yarandi Investments Pty Ltd	2,335,852	2.07
12.	Australian Reward Investment	1,142,861	1.01
13.	Nattai Pty Ltd	1,030,000	0.91
14.	Merrill Lynch (Australia) Nominees Pty Limited	942,892	0.84
15.	Christopher Michael Bonwick	750,000	0.66
16.	Forbar Custodians Limited	703,301	0.62
17.	Queensland Investment Corporation	689,772	0.61
18.	Ross William Anderson	681,008	0.60
19.	Kelly Amanda Ross	675,000	0.60
20.	HSBC Custody Nominees (Australia) Limited	618,840	0.55
		67,067,747	59.42

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