INDEPENDENCE GROUP NL

QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 DECEMBER 2005

GROUP HIGHLIGHTS

- Production 62,872t @ 4.01% Ni – 2,519 nickel tonnes (Ni t) (Budget 2,199 Ni t)
- NPAT - **$7.4 million** after $0.8 million exploration write off and $2.2 million write up of September 2005 quarter receivables due to increase in nickel price during the December quarter
- **$21.5 million** cash and net receivables (Sep $28.6m) after debt repayment of $0.8 million, tax payment of $6.8 million and dividend payment of $5.5 million
- Independence Group (IGO) awarded "Miner of the Year" at the Excellence in Exploration & Mining Conference in October 2005
- Ore Reserves increased to **1.43 million tonnes at 3.9% Ni (55,290 Ni t)**, prior to taking 2005/6 production into account

OPERATIONS HIGHLIGHTS

- Production – **62,872t at 4.01% Ni for 2,519 Ni t** (Budget 2,199 Ni t)
- Cash costs **A$3.28/lb payable** nickel (budget A$3.81)
- 1,127 Ni t (**45%** of production) mined outside or in excess of June 2005 ore reserves
- Further high-grade drill results at McLeay nickel deposit
- Interim McLeay resources and reserves announced, with the deposit remaining open to the north, south and east
- Long South decline has progressed and is currently 90 metres from the northern edge of the Long South target area (drillhole KD6067BW7 – 3.6m @ 3.3%Ni)

EXPLORATION HIGHLIGHTS

NICKEL/OTHER

- Ravensthorpe JV - rock chip sample returned **10g/t Au and 37% Cu** and high order electromagnetic (EM) conductor identified
- Goldsworthy JV - high-grade iron ore drill intercepts, including **18m @ 60.2% Fe, 16m @ 62.7% Fe, 16m @ 60.2% Fe and 46m @ 61.4% Fe**

GOLD

- Tropicana JV - true width drill intercepts including **32m @ 6.6g/t Au, 9m @ 6.3 g/t Au and 20m @ 2.3g/t Au**
- Dalwallinu - virgin gold discovery with drill intercepts including **7m @ 30.0g/t Au**

CORPORATE

DIVIDEND

IGO paid a 5 cent fully franked dividend to shareholders on 4th October.

HALF-YEARLY REPORT

IGO's half-yearly report will be released by 16 March 2006. All figures in this quarterly report are currently unaudited.

PROFIT

The profit figures quoted in this report are subject to finalisation of estimated nickel prices and USD/AUD exchange rates. Receivables and sales figures in this report are based on a nickel price of US$14,450/t and an exchange rate of 0.75.

IFRS EFFECT

In addition to the $0.8 million write off of exploration expenditure for the quarter, the adoption of International Accounting Standards (IFRS) require that exploration expenditure of $0.4 million be expensed rather than capitalised as under the Accounting Standards previously applied (AGAAP). A share-based payment expense of $0.1 million has also been recorded in accordance with IFRS requirements.

ISSUED CAPITAL

Listed securities at 31 January 2006 were 110,781,107 ordinary shares. The last of the contributing shares issued prior to IGO listing on ASX were paid up in January 2006 and converted to ordinary shares.

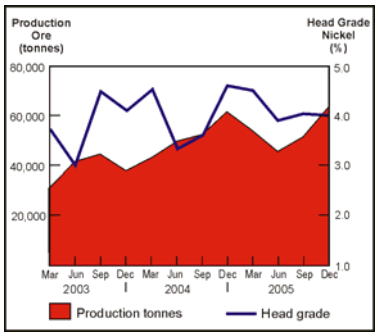
CASH AND DEBT

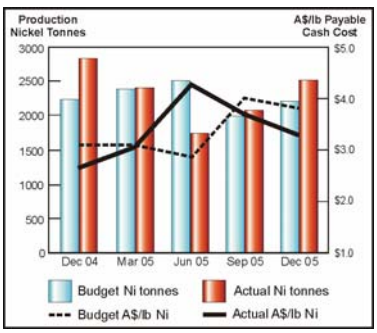
CASH RESERVES

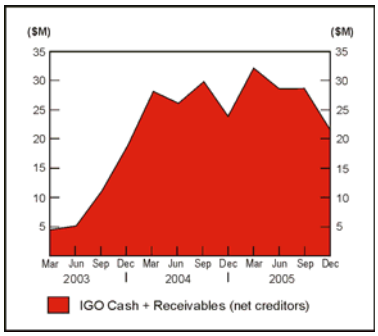
- $9.8 million cash (Sep $19.9m).
- $11.7 million nickel revenue in receivables net of creditors (Sep $8.7m).
- Total cash and net receivables were $21.5 million at the end of the quarter. A $1.5 million bond placed with WMC Resources Ltd for the purchase of the Long Nickel Mine lease and additional tenure is not included in the cash quoted.
- Unhedged receivables have been valued using $US14,450/t Ni and 0.75 USD exchange rate.

Major cash movements during the quarter were:-

- $1.4 million spent on the Long South exploration decline.
- $1.2 million bank and hire purchase debt repaid.
- $2.9 million spent on Long and regional exploration.
- $5.5 million dividend to shareholders.
- $6.8 million income tax payment.







DEBT AT END OF THE QUARTER

A debt repayment of $0.8 million was made during the quarter to reduce bank debt from $2.5 million to $1.7 million.

During the quarter, various underground equipment costing $2.6 million was acquired via hire purchase arrangements. This equipment replaces some of the original fleet purchased when mining commenced in 2002. $2.6 million (Sep $0.4m) remains owing on hire purchase of mining equipment.

NICKEL SALES PRICE CALCULATION

Due to the off-take agreement the company holds with WMC Resources Ltd, nickel sales for any given month are required to be estimated. This is due to the lag-time between delivery of ore and setting of the price to be received, which is based on the average LME price prevailing in the third month after the month of delivery.

The company is also required to estimate the USD/AUD exchange rate when calculating sales for any given month, as payment for nickel delivered is received in US dollars. Therefore, when calculating the quarter's cash flow and profits, revenue which will be received based on future nickel prices is estimated using the most up-to-date price information available prior to the release of the quarterly report. The receivables figure used represents the estimated final USD nickel payment converted to AUD, also at an estimated exchange rate.

The effect of the changing nickel price and exchange rate on receivables are reflected in each quarter's cash flow and profit figures.

2005/6 EXPLORATION EXPENDITURE & WRITE-OFF

- $4.3 million exploration expenditure was incurred during the quarter. This includes expenditure on the Long South target exploration decline.
- $0.8 million exploration expenditure was written off during the quarter (Sep $0.9m). An additional $0.4m was expensed against profits.

HEDGING

- 1,650 tonnes of nickel metal were hedged during the quarter at an average price of AU$16,961/t. The hedge contracts relate to production for the period July 2007 to May 2008 at 150t per month.
- Hedged nickel metal remaining at the end of the quarter was 4,722t at AU$16,452/t.
- 2,100 tonnes of nickel metal were hedged during January 2006 at an average price of AU$18,211/t. The hedge contracts relate to production for the period June 2008 to June 2009 at 150t per month and 50t per month for the period April 2007 to June 2007.
- Hedged nickel metal remaining at the date of this report was 6,822t at AU$16,994/t, which is scheduled to be delivered as follows:

2005/6	1,422t	Average AU$15,014/t
2006/7	1,800t	Average AU$17,335/t
2007/8	1,800t	Average AU$17,060/t
2008/9	1,800t	Average AU$18,151/t

INVESTMENTS

SOUTHSTAR DIAMONDS LIMITED (IGO 50%)

Exploration continued on diamond indicator anomalies generated from the De Beers database, including diamond-bearing intrusives.

MATRIX METALS LIMITED (IGO 18.9%)

Matrix announced on 16 January that the McCabe resource has increased by 135% to 1.7mt @ 1.24% Cu. The McCabe resource is one of the deposits in the White Range project.

A further drilling program is planned to further quantify the resource potential of the White Range project McCabe, Vulcan and Leone deposits.

Matrix also announced that they are negotiating funding options with various product end users and off-take parties to fund the development of the White Range project.

MINING OPERATION

LONG NICKEL MINE
IGO 100%

SAFETY

The Lost Time Injury Frequency Rate (LTIFR) since the mine re-opened in October 2002 is 2.53. There were no Lost Time Injuries during the quarter.

PRODUCTION

Production for the quarter was 62,872t @ 4.01% Ni for 2,519 tonnes of contained nickel, which was mined by the following methods:

Flat-back	17,016	t @	3.8%	Ni for	644	Ni t
Long-hole	23,651	t @	3.6%	Ni for	844	Ni t
Hand-held	7,431	t @	3.8%	Ni for	282	Ni t
Jumbo Development	14,774	t @	5.0%	Ni for	749	Ni t
TOTAL	62,872	t @	4.0%	Ni for	2,519	Ni t

The budget for the quarter was 60,565t @ 3.63% Ni for 2,199 tonnes of contained nickel. Comparing the quarter's performance against budget:

- Ore tonnes produced 3.8% above budget,
- ROM grade was 9.2% higher than budgeted
- Contained metal exceeded budget by 14.4%.

Production was from the following sources:

Long	41,045	t @	3.3%	Ni for	1,365	Ni t
Gibb South	193	t @	4.9%	Ni for	9	Ni t
Victor	3,327	t @	5.7%	Ni for	191	Ni t
Victor South	18,307	t @	5.2%	Ni for	954	Ni t
TOTAL	62,872	t @	4.0%	Ni for	2,519	Ni t

Nickel production exceeded budget for the quarter with payable nickel cash costs being AUD $3.28/lb Ni or 14% below the budget of $3.81/lb.

The quarter's production can be summarised as follows:

- Victor South - Produced 18,307t of ore at 5.21% for 954 Ni t versus budget of 18,373t @ 3.58% for 658 Ni t.

- Victor - Produced 3,327t of ore above budget.

- Ore derived from Long Shaft sources was slightly below budget (2.7% or 41,044t versus budget of 42,192t). Quarterly highlights from Long Shaft included better than budgeted long-hole metal and earlier than planned production from the 14/1 pillars (with 255 Ni t being won from 14/1).

- Gibb South – Final production from Gibb South - 193 ore tonnes at 4.9% for 9 Ni t. All production from this area was outside of the budget.

ORE RESERVE COMPARISON

45% of the nickel tonnes produced during the quarter were mined outside or in excess of the current ore reserve as follows:

Inside Reserves	56,715	t @	4.1%	Ni	2,324	Ni t
Outside Reserves	6,157	t @	3.1%	Ni	195	Ni t
TOTAL MINED	62,872	t @	4.0%	Ni	2,519	Ni t
*Reserve Estimate**	*33,638*	*t @*	*4.1%*	*Ni*	*1,392*	*Ni t*

** expected ore reserve grade and tonnes as defined by the area mined "inside reserves".*

Mining outside reserves occurred at Victor South, Gibb South and selective mining around porphyries in the 13-3-2 stope and additional tonnes from the

15-2 Stope. Air leg mining of the 12-6 stope also netted significant ore from outside reserves.

On 16 January 2006, IGO released the updated estimates for the McLeay ore resources and reserves as follows:

Total Resources -	344,000t	@	6.9% for	23,600 nickel tonnes
Total Reserves -	338,800t	@	4.1% for	14,030 nickel tonnes

This represents an 81% increase in the resource metal and 71% increase in the reserve metal for the McLeay Deposit, which is still open to the north, south and east.

Total mine ore reserves have increased to 1.43mt @ 3.9% Ni (55,290 Ni t) prior to taking 2005/6 production into account.

DEVELOPMENT

Long South Exploration Decline

During the quarter 160 metres were advanced in the exploration decline. The budget was 300 metres but operational requirements necessitated the redeployment of equipment into the Victor South area. A total of 826m of the budgeted total length of 1,300m has now been developed.

McLeay Decline

Since delineation the McLeay orebody capital development has been focused on establishing access into this orebody. A total of 153 metres has been developed in this region during the quarter.

Victor South

During the quarter there was no capital development for Victor South. Production development was undertaken in the 465mRL, 462mRL ore drives and 460mRL access.

Long

Production development in Long was focused on the 16/4, 15/2, 16/3 and 13/5 ore blocks. Rehabilitating of the northern section of the 14/1 pillars is continuing, whilst stoping has commenced in the southern end.

QUARTERLY FORECAST

The focus for the March quarter will be:

McLeay

- Continued focus on capital development in the McLeay Decline and McLeay return airway.
- Minor production development on the upper/eastern edge of Surface 2 and the lower, Western edge of Surface 1.

Victor South

- Continuous supply of high grade ore.
- Backfilling and mining along strike of 1st Drift & Fill drive (465mRL).

Long Shaft

- Continued focus on rehabilitation of 14/1 northern pillars and stoping of the 14/1 southern pillars.
- Continuation of stoping 15/2, 16/4, and 13/3 ore blocks.
- Update of the geological interpretation of 16/5 & 15/5 blocks in order to commence accessing the same.
- Long South Exploration decline to progress to reach the edge of one of the primary exploration targets, to enable a concentrated exploration drilling program to take place.

The following are the forecast KPI's for the March quarter:

	Qtr 3 Budget	2005/6 Budget
Mined t	66,037	240,000
Ni %	3.4	3.5 – 4.0
Ni t Produced	2,226	8,500 – 9,500
IGO Payable Ni t	1,295	5,000 – 5,500
AU$/lb Payable Costs	3.97	3.50 – 4.00

EXPLORATION

During the quarter exploration efforts were focused on the newly discovered McLeay deposit and the decline heading towards the Long South target.

At **McLeay**, an interim resource and reserve estimation was released to the ASX on 16 January 2006. **As the McLeay deposit is still open to the north, south and east, the resources and reserves announced are an interim estimation only (Figures 1 – 3).** Further drilling is planned to extend these resources and reserves following the completion of a drill drive along the eastern edge of Shoot 2.

At **Long South**, drill-hole samples submitted indicate the fertile ultramafic lava channel is still present with MgO values returned up to 39.9% in hole LSU-032. The decline has now progressed and is currently 90m from the northern edge of the Long South target area (drillhole KD6067BW7 – 3.6m @ 3.3% Ni). Drilling from the decline will continue in the March quarter.

McLeay Deposit

During the quarter the Company announced updated resource estimates for the McLeay deposit as follows:

Indicated Resource	224,000t	@ 7.4% Ni (16,600 Ni t)
Inferred Resource	120,000t	@ 5.8% Ni (7,000 Ni t)
McLeay Resource	344,000t	@ 6.9% Ni (23,600 Ni t)

This resource included a probable diluted reserve of 338,800t @ 4.1% Ni (14,030 Ni t), details of which are included in the announcement lodged with the ASX on 16 January 2006.

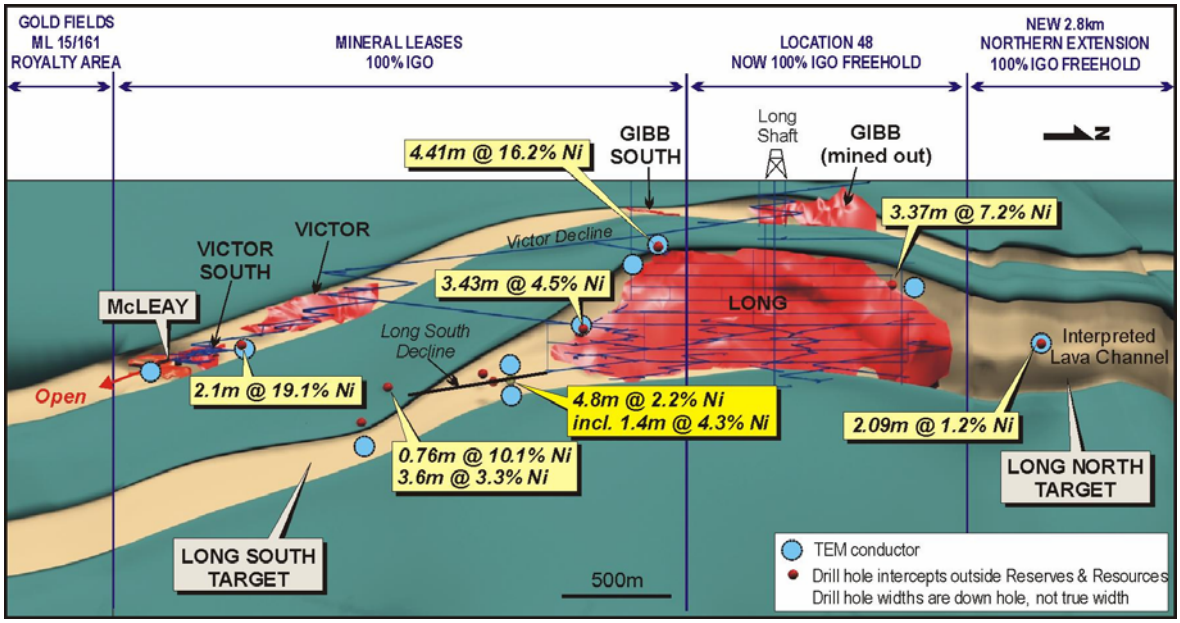


Figure 1: Longitudinal Projections Showing the Location of McLeay Proximal to Existing Victor South Decline Development and Long South Target Area

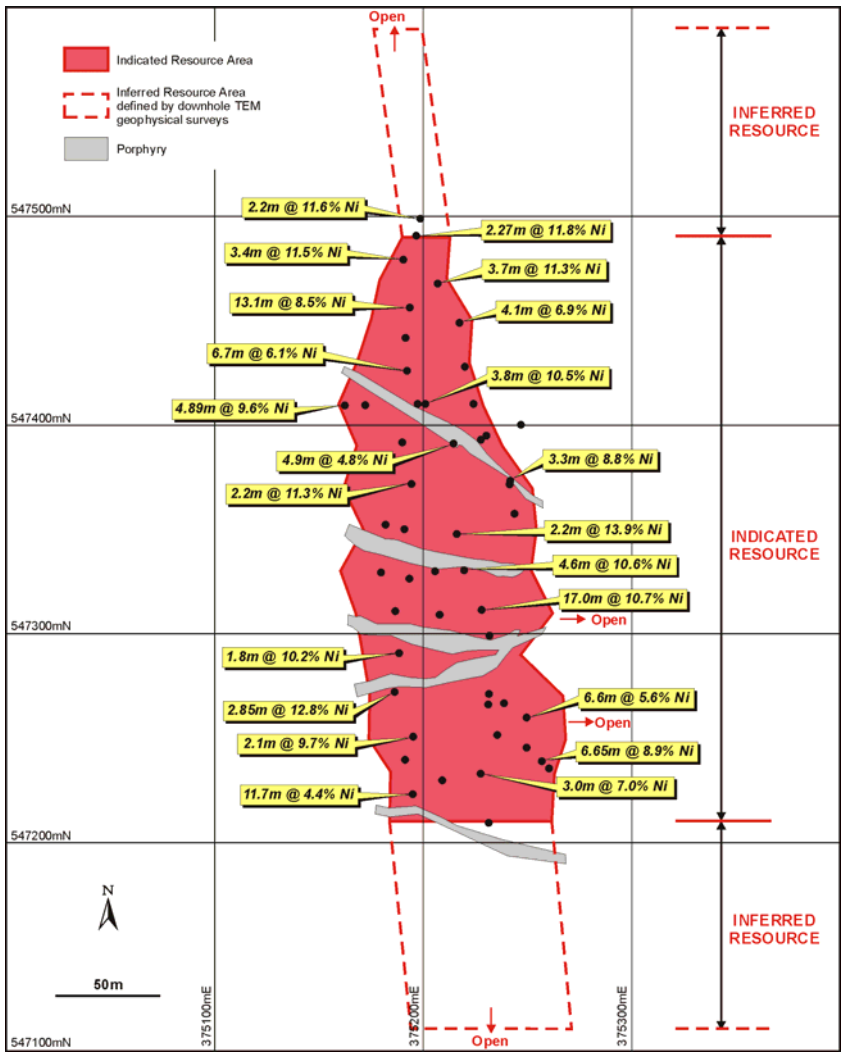


Figure 2: McLeay Shoot 1 Showing Resource Boundaries, Cross Cutting Porphyry Dykes and Significant Intercepts

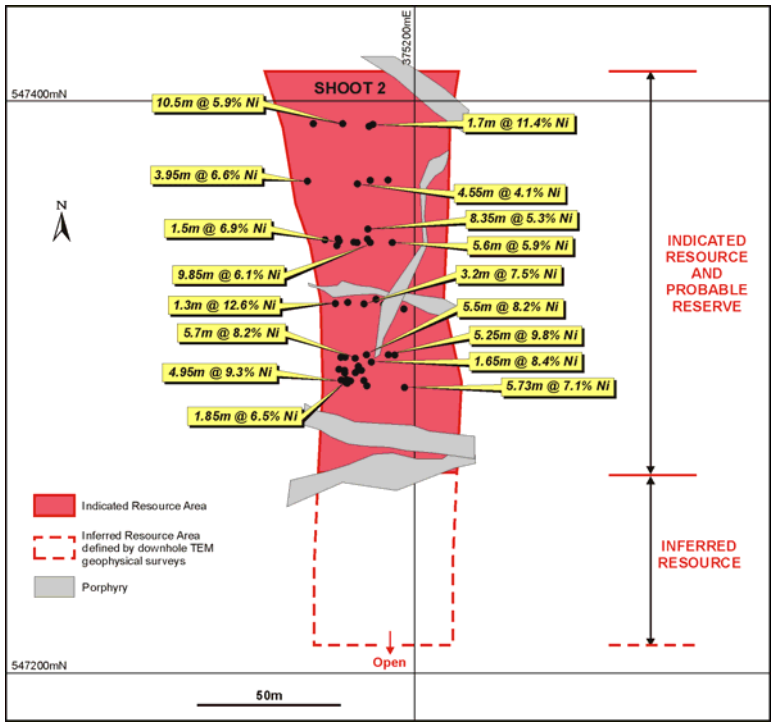


Figure 3: McLeay Shoot 2 Showing Resource Boundaries, Cross Cutting Porphyry Dykes and Significant Intercepts

Table 1: McLeay Significant Extensional Drilling Results – Shoots 1, 2 and 4

Shoot	Hole No.	Northing (m)	Easting (m)	RL (m)	Azimuth (degr)	Dip (degr)	E.O.H (m)	From (m)	To (m)	Width (m)	TRUE Width (m)	Grade Ni%
1	MDU-066	547508	375152	-475	111	-26	140	51	53.27	2.27	2.27	11.8
1	MDU-068	547330	375178	-438	90	-59	119.8	80.7	85.3	4.6	4	10.6
1	MDU-069	547305	375177	-438	120	-46	165	106.15	109.6	3.45	1.50	2.6
1	MDU-069	547305	375177	-438	120	-46	165	124.4	131.0	6.6	5.0	5.6
1	MDU-070	547305	375177	-438	130	-43	170.4	128.0	128.9	0.9	0.5	3.7
1	MDU-070	547305	375177	-438	130	-43	170.4	138.5	145.1	6.65	4.5	8.9
1	MDU-070	547305	375177	-438	130	-43	170.4	147.35	149.15	1.80	1.0	2.2
1	MDU-072	547409	375178	-438	270	-66	65.5	36.0	40.89	4.89		9.6
1	MDU-078	547352	375179	-438	62	-85	78.1	48.61	50	1.39	1.39	3.8
1	MDU-085	547409	375241	-460	139	-75	101.2	42	43	1	1.0	4.5
1	MDU-097	547356	375249	-457	239	0	80.1	70.08	72.0	1.55	1.55	5.4
2	MDU-057	547480	375225	-461	9	-72.9	122.6	0	0.7	0.7	0.7	3.7
2	MDU-060	547310	375177	-435	90	-44	160	16.05	21.8	5.5	3.5	8.2
2	MDU-067	547304	375174	-435	199	-79	86.4	1.95	2.2	0.25	0.25	2.6
2	MDU-068	547330	375178	-438	90	-59	120	12.7	18.95	6.25	4.5	4.5
2	MDU-069	547305	375177	-438	120	-46	165	8.45	11.1	2.65	1.8	9.0
2	MDU-070	547305	375177	-438	130	-43	160	10.0	13.15	3.15		5.6
2	MDU-071	547371	375179	-438	90	-49	159.7	6.29	7.39	1.10		4.4
2	MDU-073	547390	375180	-438	270	+12	32.5	0	10.5	10.5		5.9
2	MDU-073	547390	375180	-438	270	+12	32.5	15.15	16.40	1.25		2.2
2	MDU-074	547370	375174	-438	270	+5	20	9.85	13.80	3.95		6.6
2	MDU-075	547350	375174	-438	270	-3	20.2	4.62	6.72	2.1	2.0	4.8
2	MDU-078	547352	375179	-438	62	-85	78.1	4.93	6.56	1.63	1.5	5.0
2	MDU-079	547350	375174	-437	223	-49	90.6	3.0	3.89	0.89		8.9
2	MDU-080	547350	375174	-437	283	-70	101.3	3.1	4	0.9	0.9	4.6
2	MDU-095	547356	375249	-457	223	+4	92	82.27	88	5.73	2.5	7.0
2	MDU-096	547356	375249	-457	239	+5	72.8	67.55	68.2	0.65	0.65	6.3
4	MDU-098	547356	375249	-457	257	+5	93.1	65.0	69.2	4.20		2.0
4	MDU-099	547356	375249	-457	238	-4	98.0	62.64	67.00	4.36		7.4

(Intersections calculated by the specific gravity method. VE = visual estimate)

Long South Decline

The Long South Decline is currently 90 metres from the northern edge of the Long South target.

The ultramafic rock intersected to date is consistent with that encountered in a mineralised channel and hence is regarded as highly encouraging. DHTEM logging has indicated several off-hole conductors.

Of significance is the intersection of massive sulphide on the basal contact of the ultramafic in hole LSU-013. The intersection is 30m due east of the decline and 250m south of the Long Mine. The best intercept of **4.8m** @ **2.2% Ni**, (including 1.4m @ 4.3% Ni) was reported to ASX on 10 October 2005.

Drilling into the Long South target area is expected to commence in the March quarter.

LONG NICKEL MINE PRODUCTION SUMMARY

	Note	Dec '05 Quarter	2005/6 FY to Date	Dec '04 Prev. Quarter
Mining Reserve (Dry Tonnes)				
Start of Period		1,387,233	1,438,700	1,132,741
- ROM Production	1	(62,872)	(114,339)	(61,753)
End of Period		1,324,361	1,324,361	1,070,988
Production Details:				
Ore Mined (Dry Tonnes)	1	62,872	114,339	61,753
Ore Milled (Dry Tonnes)		62,872	114,339	61,753
Nickel Grade (Head %)		4.01	4.02	4.61
Copper Grade (Head %)		0.29	0.29	0.32
Metal in Ore Production (Tonnes)				
Nickel delivered	2	2,519	4,593	2,847
Copper delivered	2	183	326	196
Metal Payable IGO share (Tonnes)				
Nickel		1,476	2,689	1,696
Copper		74	133	80
Hedging				
Tonnes delivered into Hedge		972	1,944	572
Average Price (AU$/t)		14,477	14,477	12,580

Note 1. Production is sourced from both reserves/inventory and outside reserves.
Note 2. The Recovery Rate is fixed with WMC depending on head grade. For grades from 3.0% to 3.5% recovery is 92%, for grades in excess of 3.5% recovery is 93%.

		A$'000's	***A$'000's***	
Revenue/Cost Summary				
Sales Revenue (incl. hedging)		26,862	42,675	26,022
Cash Mining/Development Costs		(7,021)	(13,445)	(5,958)
Other Cash Costs	3	(3,634)	(7,108)	(3,981)
Depreciation/Amortisation/Rehabilitation		(2,565)	(4,897)	(2,772)
Total Unit Cost Summary		***A$/lb Total Metal Produced***	***A$/lb Total Metal Produced***	
Cash Mining/Development Costs		1.26	1.33	0.95
Other Cash Costs	3	0.65	0.70	0.63
Depreciation/Amortisation/Rehabilitation		0.46	0.48	0.44
Revenue/Cost Summary		***A$/lb Payable Metal***	***A$/lb Payable Metal***	
Sales Revenue (incl. hedging)		8.26	7.20	6.96
Cash Mining/Development Costs		2.16	2.27	1.59
Other Cash Costs	3	1.12	1.20	1.06
Depreciation/Amortisation/Rehabilitation		0.79	0.83	0.74

Note 3. Other Cash Costs include milling, royalties and site administration.

Safety and Productivity				
- Lost Time Injuries		0	0	1
- Medically Treated IFR		53.8	39.4	31.0
- Nickel Productivity Rate	4	74.5	74.5	99.0

Note 4. Nickel Productivity Rate = Productivity measured as annualised nickel tonnes per full-time-equivalent-employee.

Development/Exploration Drilling	**Metres**	**Metres**	
Development	707	1,740	0
Production	2,310	2,591	1,822
Exploration	10,191	12,536	770
	13,208	16,867	2,592

REGIONAL NICKEL EXPLORATION

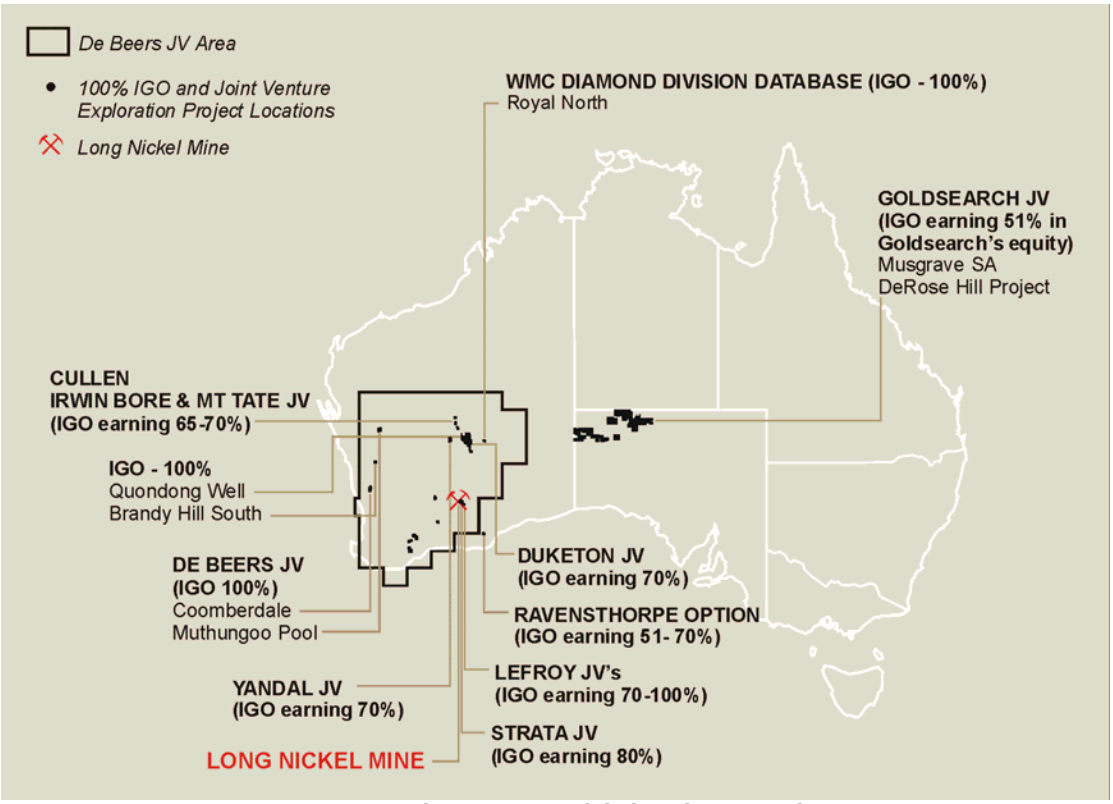


Figure 4: IGO Nickel Project Locations

RAVENSTHORPE OPTION (IGO OPTION TO EARN 51% NON-NICKEL LATERITES)

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

The Ravensthorpe Project covers approximately 60 strike km of prospective ultramafic stratigraphy within the Ravensthorpe Greenstone Belt.

Tectonic Resources NL have recently completed mining the nearby highly profitable RAV8 deposit which to June 2005 had produced 443,000t at 3.46% Ni for 15,350t contained Ni. (*Tectonic Quarterly Report 30 June 2005*).

The Ravensthorpe Greenstone Belt is interpreted to represent a southern continuation of the Forrestania Greenstone Belt to the north (**Figure 5**), which contains numerous deposits including the Flying Fox T5 nickel deposit which has an Inferred Resource of 115,800t @ 6.5% Ni containing about 42,600t of nickel metal (*Western Areas NL website*).

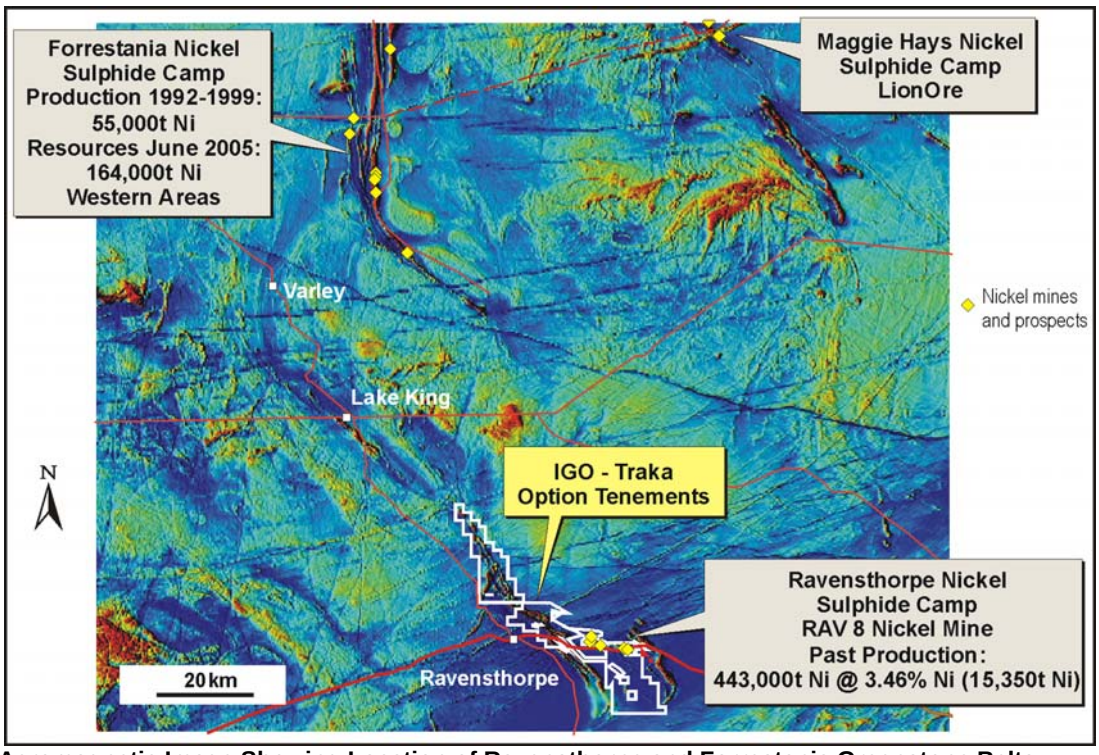


Figure 5: Aeromagnetic Image Showing Location of Ravensthorpe and Forrestania Greenstone Belts

Historic work in the project area has identified numerous prospects containing nickel sulphides, including the RAV4W area where drilling intersected narrow breccia sulphides grading up to 10% nickel. RAV4W mineralisation is open down dip and to the south. In addition to nickel, parts of the project area are prospective for gold and base metals.

IGO has committed to an aggressive exploration program comprising mapping, surface geochemical sampling and ground geophysics that will enable it to complete at least two phases of drill testing of the highest ranked targets prior to the expiry of the option period in December 2006.

During the quarter mapping and sampling was completed at the Mt Short, Far East, The Gap and Carlingup prospect areas. Encouraging geochemical results to date include a rockchip sample in the Far East area that returned **10g/t Au and 37% Cu.** The sample outcrop was limited in extent and the significance of this result is not yet known. Geochemical interpretation will be completed once all results have been received. Mapping in The Gap area has identified a previously unknown olivine adcumulate horizon possibly representing a channelised depositional environment prospective for nickel sulphide mineralisation.

Ground EM was completed in ground held immediately to the east and west of the RAV8 mine. A preliminary review of the data has identified a number of conductors including one of high intensity.

Ground EM surveying recommenced in early January with 2 dedicated crews working in the Mt Short and Jerdacuttup areas.

CULLEN JOINT VENTURE (IGO MANAGER EARNING 65-70% NICKEL RIGHTS)

The Cullen JV is situated immediately south of BHP Billiton's AK47 nickel-copper sulphide discovery. The company is systematically testing the strike extension of the AK47 ultramafic stratigraphy for nickel sulphides using a combination of surface geochemistry, EM surveying and drilling.

Irwin Bore (E53/403 & E53/925)

During the quarter 7 high priority EM bedrock conductors were tested by a program of RC drilling and down-hole EM. Drilling did not intersect nickel sulphide mineralisation. No further work is contemplated for these targets.

Mt Tate (E53/1096)

A bedrock conductor has been identified on three 200m spaced lines coincident with interpreted ultramafic stratigraphy. Historic reconnaissance RAB drilling across the ultramafic stratigraphy returned results of up to 0.52% Ni and 0.22% Cu strongly supporting the nickel sulphide prospectivity of this target. Infill EM will be completed over the conductor prior to drill testing.

DUKETON NICKEL JOINT VENTURE (IGO MANAGER EARNING 70% NICKEL RIGHTS)

The Duketon Nickel JV covers approximately 60kms of strike of ultramafic-rich stratigraphy in the Duketon Greenstone Belt. The belt is considered prospective for Ni-Cu-PGE mineralisation and has not been subjected to modern nickel sulphide exploration techniques.

Systematic surface sampling programs and TEM surveys have delineated several targets including the Bulge Prospect, where several bedrock conductors have been defined within and adjacent to a thickened package of ultramafic stratigraphy. Further testing is planned pending access approvals.

YANDAL JOINT VENTURE (IGO MANAGER EARNING 70% NICKEL RIGHTS)

The Yandal Joint Venture with AuDax Resources covers four tenements in the Yandal Greenstone Belt between 50 and 70km north of the Waterloo nickel sulphide discovery. The tenements cover approximately 14km of strike of the main ultramafic units in the belt which prior to IGO involvement had not been explored for nickel sulphide using modern exploration techniques.

Systematic surface geochemical sampling and ground EM during the quarter outlined 4 high priority bedrock targets. These targets were subsequently tested for nickel sulphide mineralisation by a short RC drilling and down-hole EM program. A graphitic black shale was determined to be the likely source of the bedrock conductor at three of the targets whilst a clay gangue filled shear zone is the probable source of the conductor at the fourth target.

LAKE LEFROY PROJECT (STRATA JV - IGO EARNING 80%) (ANGLOGOLD ASHANTI – IGO EARNING UP TO 100%) (YAMARNA OPTION – IGO EARNING UP TO 100%)

IGO has a licence agreement with Anglo American to use its proprietary Low Temperature SQUID Sensor (SQUID) in parts of the Yilgarn Block. The SQUID sensor is able to detect conductors, possibly representing massive nickel sulphide mineralisation, beneath areas of conductive overburden far more effectively than competing EM systems.

In the Kambalda region a number of targets have been generated under highly conductive cover in the Lake Lefroy area that may be Kambalda Dome analogues.

IGO has secured agreements with three separate companies on tenement packages covering several of these targets. Each agreement is subject to certain clawback rights by Anglo American under the licencing agreement.

SQUID testing has commenced on two agreement areas and has delineated one high order conductor in the south eastern portion of the Strata tenement area.

Follow-up testing of this conductor and systematic SQUID EM surveying over the remaining untested portions of the agreement areas has been delayed until the salt lakes, which are currently wet, have dried out sufficiently to enable access.

REGIONAL GOLD EXPLORATION

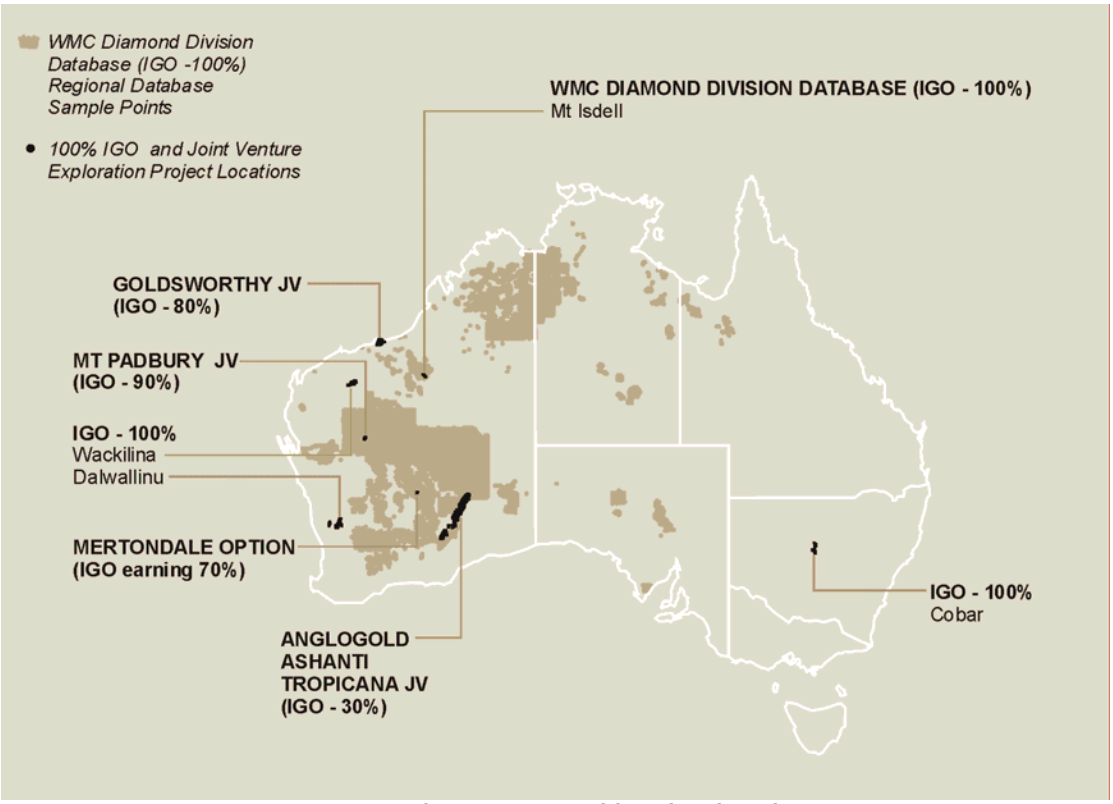


Figure 6: IGO Gold Project locations

DALWALLINU (IGO 100%)

The Dalwallinu Project is situated in the southern margin of the Murchison Province of the Yilgarn Block in Western Australia between the Boddington Gold Mine (+20M oz gold resource) and the Mt Gibson Gold Mine (+1M oz). The project was generated from in-house structural analysis techniques, with road-side sampling delineating three main surface gold anomalies of which only one has been partly tested to date (Pithara Prospect). All of the anomalies lie within freehold farming ground and are not subject native title.

IGO has previously announced shallow high-grade gold mineralisation from aircore drilling at the Pithara Prospect including 7m @ 21.8g/t Au from 20m, 9m @ 6.3g/t Au from 19m, 6m @ 4.9g/t Au from 12m and 6m @ 3.2g/t Au from 13m.

A total of 7 angled RC holes over 3 east-west traverses, drilled to test this high grade mineralisation at depth returned a best result of:

- **7m @ 30.1g/t Au** from 46-53m (PTRC035) (incl 2m @ 58.3g/t)

Other intercepts in the zone include 6m @ 1.3g/t Au from 53m (PTRC039) and 1m @ 5.4g/t Au from 94m (PTRC42). The continuity of the high grade zone has now been confirmed over a strike length of a least 65m and a width of 5m. It appears to have a steep southerly plunge and is open below 45m depth (**Figures 7 - 9**).

A diamond hole is planned to test the down dip extent of the high grade zone and provide additional structural information that will assist in targeting further high grade zones along strike.

An additional 6 angled RC drill holes tested three targets to the southeast of the high grade mineralisation. No significant mineralisation was encountered on these targets.

A RAB program to test the interpreted mineralised structure and discrete magnetic features to the north under cover is planned.

Access agreements are in place for the North Wongan prospect and first pass testing will take place during the March quarter.

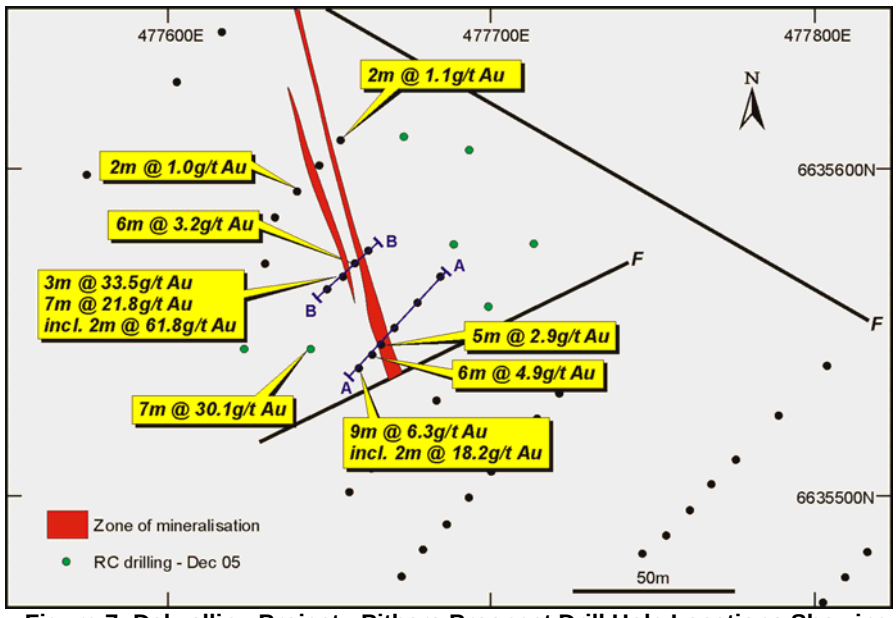


Figure 7: Dalwallinu Project - Pithara Prospect Drill Hole Locations Showing Mineralised Zones (F=Interpreted Fault)

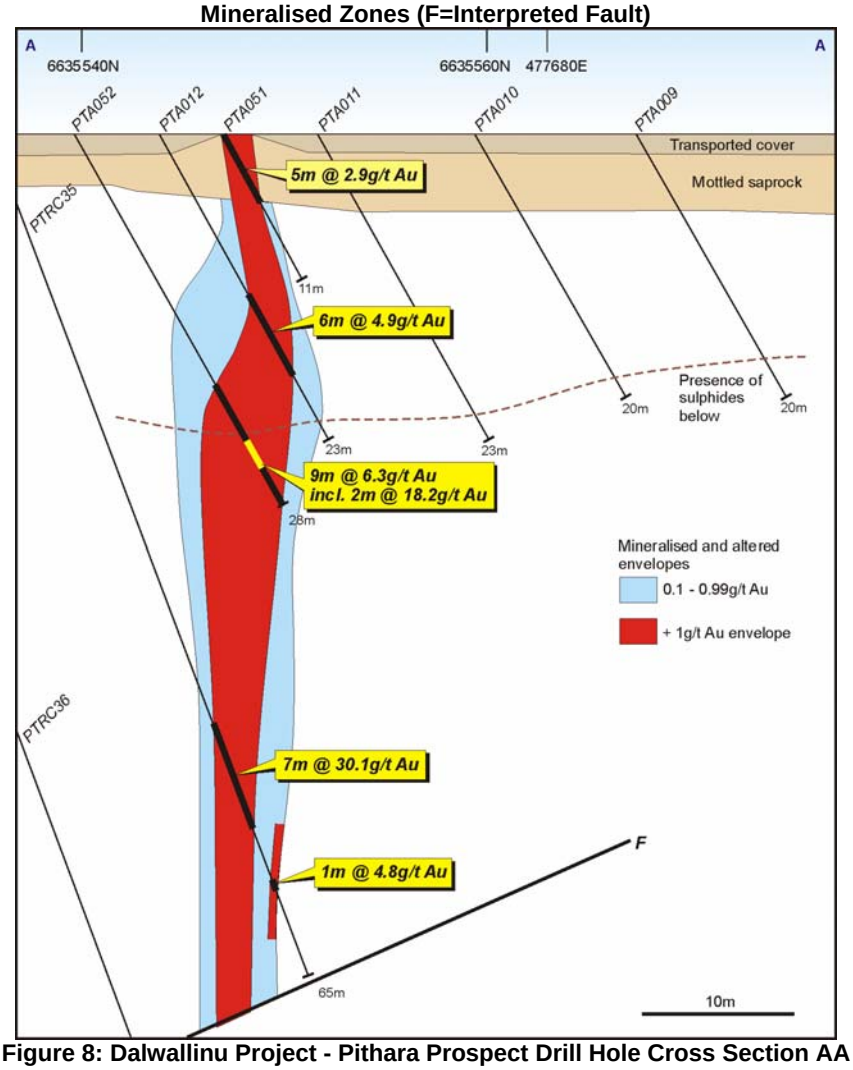


Figure 8: Dalwallinu Project - Pithara Prospect Drill Hole Cross Section AA (F= Interpreted Fault)

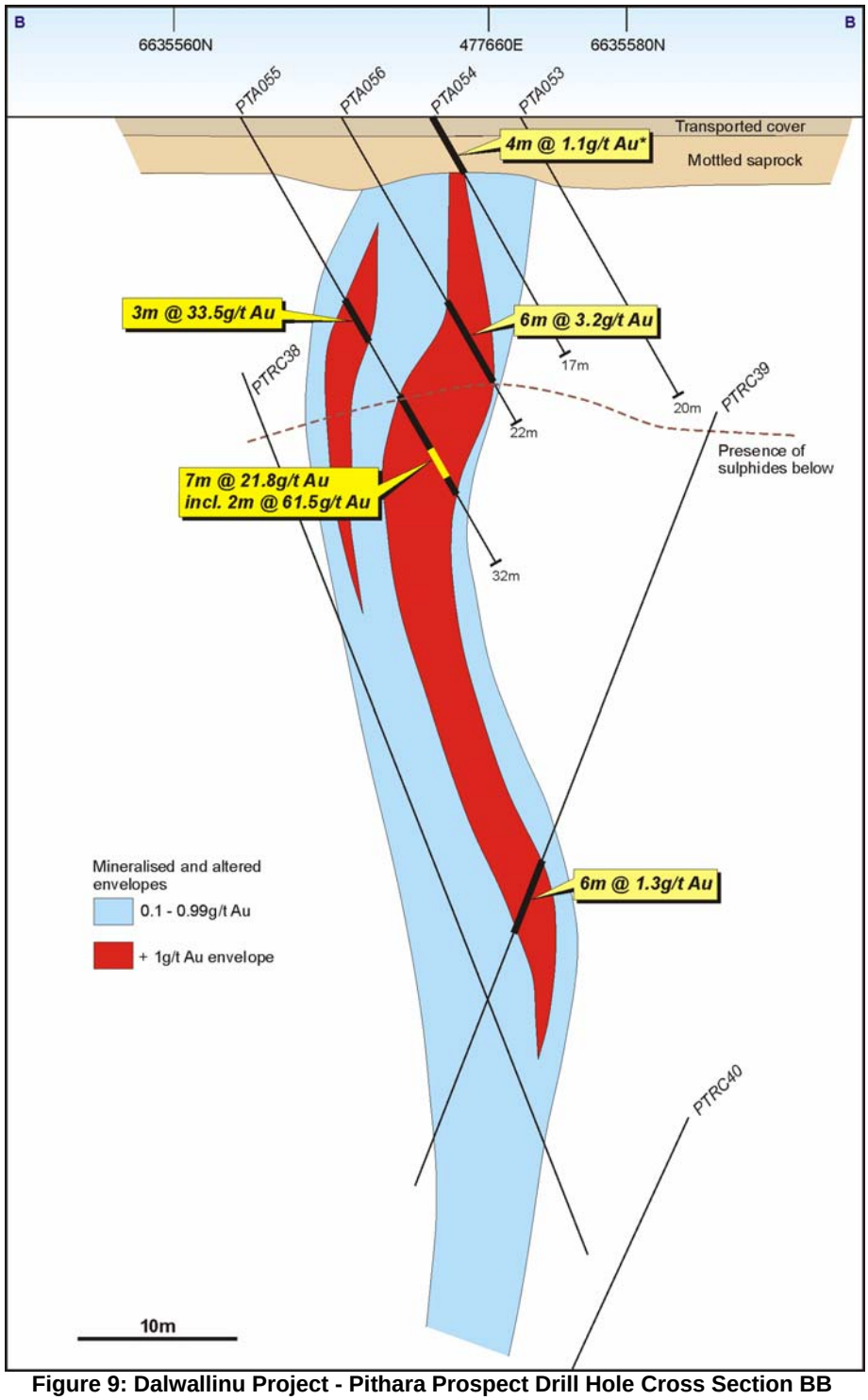


Figure 9: Dalwallinu Project - Pithara Prospect Drill Hole Cross Section BB

TROPICANA JV (IGO 30%, ANGLOGOLD ASHANTI AUSTRALIA LIMITED MANAGER 70%)

The Tropicana Joint Venture comprises approximately 7,500 km^2 of largely unexplored tenure over a strike length of 350km along the Yilgarn Craton – Fraser Range Mobile Belt collision zone (**Figure 10**).

Ongoing regional geochemical sampling has identified a number of large surface gold anomalies including Tropicana, Rusty Nail, Black Feather and Kamikaze (**Figure 11**).

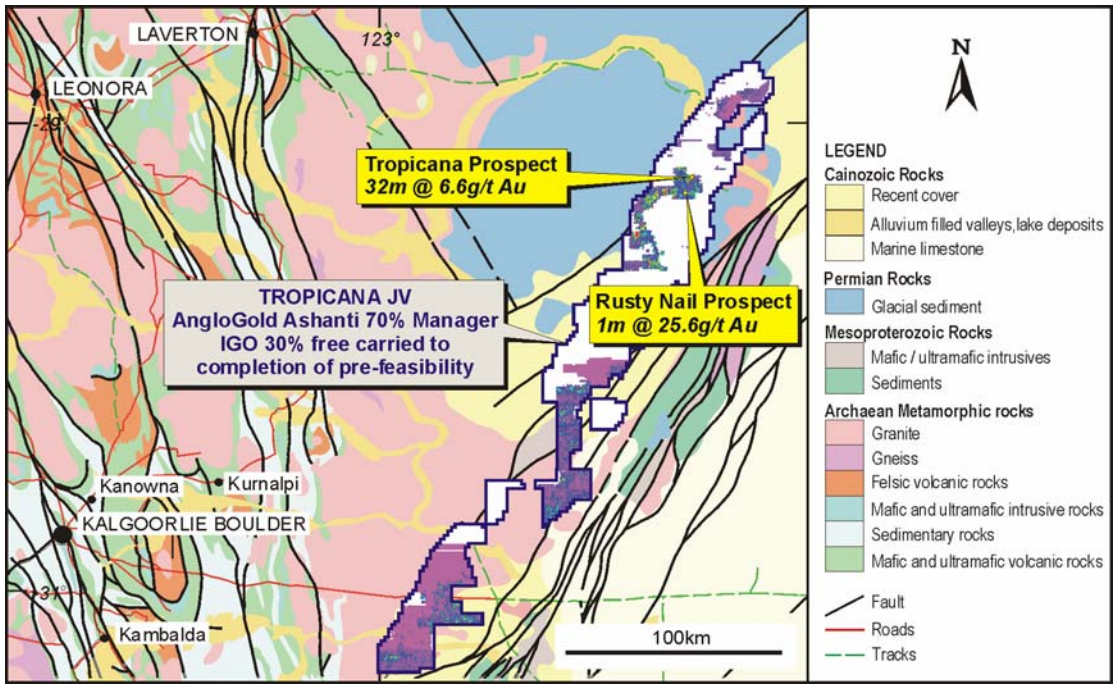


Figure 10: Tropicana Project – Tenement Locations and Regional Geochemical Sampling Coverage

Tropicana is the most advanced prospect. Previous drilling produced highly encouraging intercepts including 38m @ 3.0g/t Au (including 10m @ 7.9g/t Au) from 104m and 26m @ 2.2g/t Au (including 10m @ 4.1g/t Au) from 70m.

During the quarter an RC program comprising 41 holes for 6800m was completed to test the down dip and strike extents of mineralisation at Tropicana.

The results include some of the best intersections on the project to date including:

- **32m @ 6.6g/t Au** from 44m (**Figure 13**)
- **9m @ 6.3g/t Au** from 33m
- **20m @ 2.3g/t Au** from 157m

Mineralisation has now been confirmed over a strike length of 1.1km and remains open to the south, down dip and at least 100m to the north where it appears to have been offset by a late fault (Figure 12).

Dipole-dipole induced polarisation (IP) surveying has been completed at Tropicana (5 lines for 15 line kms) and is partially complete at Rusty Nail (2.5 lines for 8 line kms). The IP survey has identified a large target to the east (local grid) of Tropicana that is traceable across all the IP lines. Initial RC drilling of this target has identified a zone of biotite-pyrite alteration up to 30m wide and dipping at 30° to the east, comparable with that of the main Tropicana deposit.

RC drill testing at Tropicana will recommence as soon as access is available. The area is under water following recent cyclonic rains.

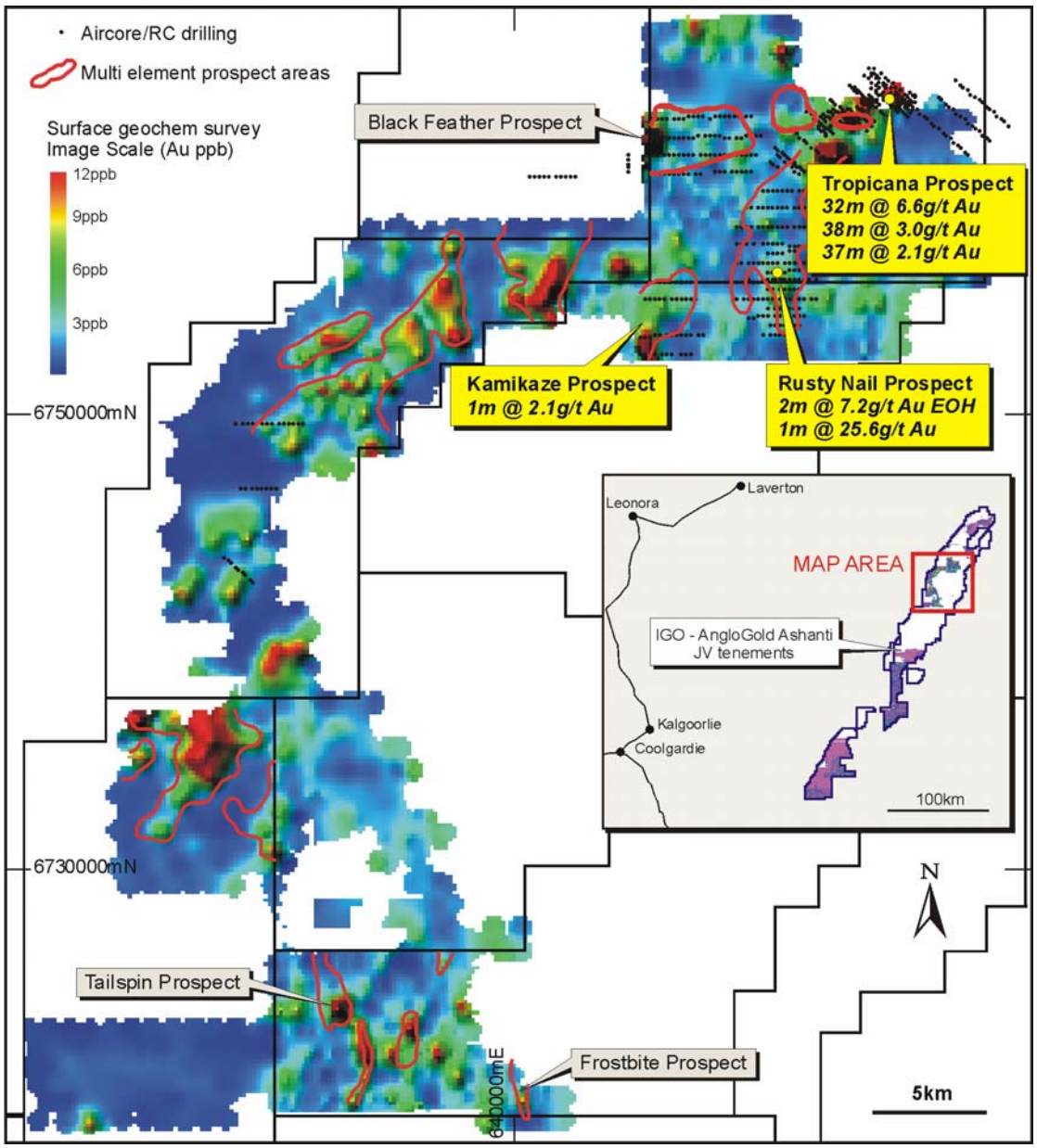


Figure 11: Tropicana Project – Tropicana and Rusty Nail Gold Anomalies and Significant Gold Results in Drilling

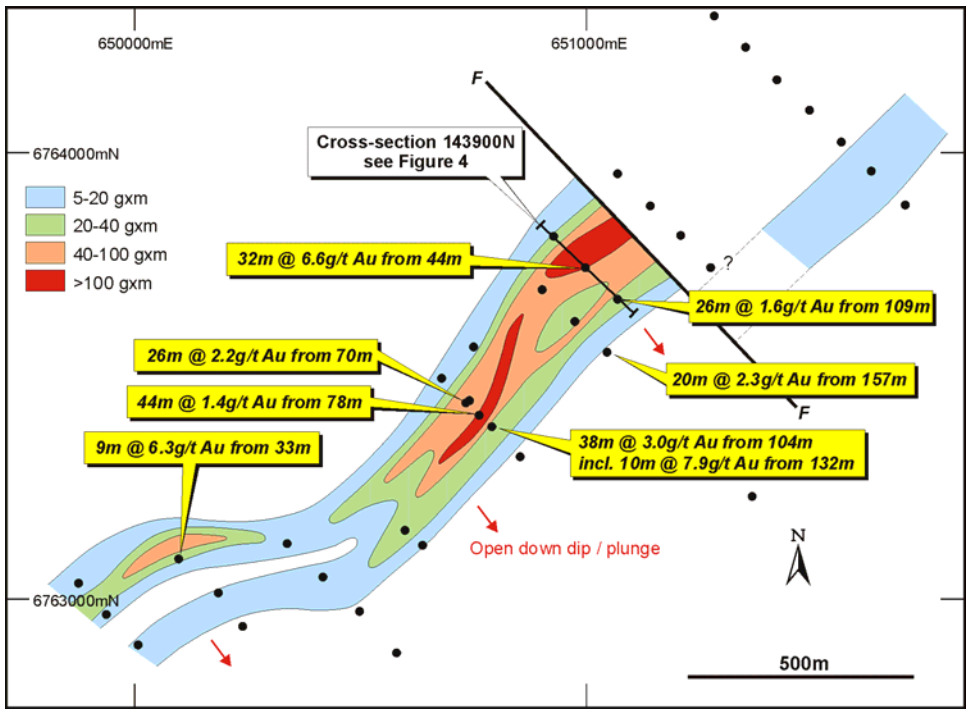


Figure 12: Tropicana Prospect Plan Showing Intercept Locations, Gold Grade (g/t) x Thickness Contours and Significant Intercepts (F=Interpreted Fault)

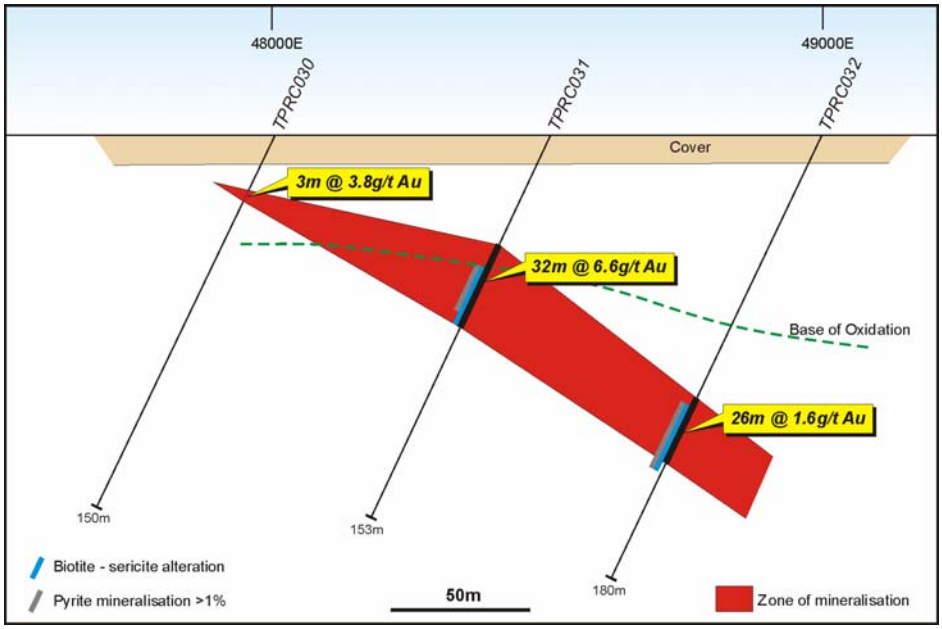


Figure 13: Tropicana Prospect 143900N Cross Section Showing Significant Drill Results (F=Interpreted Fault)

COBAR (IGO 100%)

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

A review of open file reports indicates that systematic regional geochemical sampling programs have not been completed over much of this tenure even though the regolith is thought to be amenable to this technique.

IGO has completed approximately 65% of a 4000 sample point program designed to provide first pass geochemical coverage over priority areas within the tenure.

An initial appraisal of results received to date has highlighted several areas of polymetallic anomalism associated with regional structures. It is planned to complete the first pass and follow-up sampling by mid-year to enable drill testing in the second half of 2006.

OTHER

GOLDSWORTHY PROJECT
ATLAS IRON ORE OPTION

Atlas Gold Limited has an option to acquire 100% of the Iron Ore rights on four tenements forming part of the Goldsworthy JV between and IGO and CO2 Group Limited. If the option is exercised, Atlas must pay IGO and CO2 2 million AGO fully paid shares.

IGO and CO2 retain a 2% net smelter royalty. IGO and CO2 also have the option to claw back 30% of the iron ore rights for two times Atlas's exploration expenditure if a resource of at least 5 million tonnes of iron ore is defined, in which case the IGO/CO2 royalty terminates. If Atlas fails to commence development of an iron ore project within 4 years, 51% of the iron ore rights return to IGO/CO2.

On 11th January Atlas announced high grade intercepts from its Pardoo Iron Ore Project, including three holes drilled in the South Limb Prospect within the Goldsworthy Project option area. Better results are shown in **Table 2** (source: AGO December 2005 Quarterly Report).

Atlas is working to define sufficient reserves of direct shipping grade haematite within the Pardoo Project to commence development using road trains to transport iron ore to the public access port facilities at Port Hedland located 75km west of the project area.

Table 2: South Limb Prospect - RC Drill Results

		Fe	SiO_2	Al_2O_3	P	LOI	From
Hole	Metres	(%)	(%)	(%)	(%)	(%)	Metres
PDRC080	2	61.02	1.96	0.82	0.12	9.73	32
PDRC081	18	60.24	2.39	1.08	0.21	9.64	28
PDRC082	2	60.19	2.08	1.31	0.19	9.54	8
	16	62.74	3.03	1.29	0.14	5.23	26
PDRC083	6	60.57	3.38	1.31	0.15	7.98	42
	2	61.35	3.93	2.11	0.14	5.31	96
PDRC088	2	61.29	2.81	1.22	0.18	7.62	24
PDRC092	2	60.01	2.87	1.39	0.14	9.48	2
PDRC095	16	60.21	2.44	1.22	0.14	9.88	22
PDRC096	46	61.4	2.2	1.12	0.14	8.41	8
PDRC097	2	60.39	2.47	1.74	0.13	9.12	16
PDRC098	4	60.38	2.38	1.40	0.15	9.46	30

PROJECTS RELINQUISHED OR AVAILABLE FOR JOINT VENTURE

Results from the following projects do not meet with the company's project investment criteria and exploration has ceased accordingly.

NICKEL PROJECTS

Newdegate: Relinquished. Reconnaissance geochemical sampling over possible ultramafic stratigraphy failed to highlight areas to follow-up.

Mt St Michel: Relinquished. Soil sampling did not return sufficient encouragement to warrant further work.

GOLD PROJECTS

Francis Furness Option: Withdrawn. No significant depth extension to high grades shoots defined.

MARCH QUARTER PROGRAM

REGIONAL NICKEL EXPLORATION

Ravensthorpe: EM at Jerdacuttup and Mt Short. Geochemical interpretation. Drill target generation.

Cullen JV (Mt Tate): Follow-up TEM surveying and drill testing of bedrock conductors for massive nickel sulphides.

REGIONAL GOLD EXPLORATION

Dalwallinu: RAB drilling in the Pithara North area. Auger sampling at North Wongan.

Tropicana: RC drilling at Tropicana.

Cobar: Ongoing regional surface geochemistry.

Mt Padbury: RAB testing gold targets.

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INDEPENDENCE GROUP NL

CHRISTOPHER M. BONWICK
MANAGING DIRECTOR

Note: 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 document 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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