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INDEPENDENCE GROUP NL
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Independence Group NL recently announced a net profit after tax of \$9.3 million for the half year to 31 December 2005. Before discussing some of your exploration, can you explain the major impacts on the profit result?

MD Chris Bonwick

The profit was better than our budget forecast for the half year of \$6.1 million. However it was down compared to the December 2004 half year due to a combination of lower nickel prices during 2005 and the higher operating cost environment which most miners are experiencing at the moment. The December quarter of 2004 returned an exceptionally low cash operating cost of A\$2.65/lb of payable nickel. Our operating costs for the December 2005 half year were in fact below budget resulting in the better than anticipated profit. The lower-priced hedging (174t/month @ A\$12,183/t we put in place when financing the Long Nickel Mine purchase) will be finished in April and the tonnes hedged also drops to 150t per month, which will result in higher profit per tonne in the second half. From July we will have 1,800 tonnes per year hedged at an average price of A\$17,334/tonne, A\$17,060/tonne and A\$18,151/tonne for 2006/7, 2007/8 and 2008/9 respectively.

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Independence recently announced a 2 cent fully franked interim dividend following on from the 5 cent fully franked final dividend paid in October 2005. Could you comment on the dividend policy of Independence Group?

MD Chris Bonwick

Independence does not have a set dividend policy, other than we wish to return wealth to shareholders whilst continuing to grow the company. Our half year profit was \$3 million below our previous corresponding year when we paid 3 cents, and given our exploration success at McLeay and gearing up for a major drill out at Long South and the southern extension of McLeay, we felt it prudent to pay a 2 cent interim dividend. We believe that further success at Long has the potential to have a large impact on our future growth and cash generation potential.

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Independence Group NL recorded production of 2,519 nickel tonnes at a cash cost of A\$3.28/lb payable for the December 2005 quarter. Can you explain why both these figures clearly beat budget?

MD Chris Bonwick

In the December quarter, the Long Nickel Mine produced 62,872t @ 4.0%Ni. The higher throughput and second highest quarter of production for the operation under Independence ownership contributed to cash costs coming in below our budget of A\$3.50-A\$4.00/lb of payable nickel.

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Independence announced in January 2006 an increase in JORC-compliant reserves to over 55,000 nickel tonnes at the Long Mine Complex. At the McLeay discovery the reserve increased to just over 14,000 tonnes from just over 8,000 tonnes. Can you explain the quality of the McLeay reserve? Where does it sit in relation to current mine development?

MD Chris Bonwick

The total mineral resource at McLeay is now 344,000 tonnes at 6.9% Ni for 23,600 nickel tonnes and the ore reserve is 338,800 tonnes at 4.1% Ni for 14,030 nickel tonnes. We expect the resources and reserves at McLeay to increase further, as the deposit is still open to the south and east.

McLeay sits immediately south of the Victor South orebody which is currently in production and should therefore be relatively easy to develop. We are currently driving out two development headings to Shoots 1 and 2. The Shoot 1 decline is currently developing in ore and we expect the Shoot 2 access to hit high-grade sulphides in the next few days.

The shoots are very high grade: we've intersected nickel sulphides with grades of over 20% Ni in places. The reserve grade at McLeay compares favourably with nickel ores we have previously mined at Gibb South and those we are currently mining at Victor South. Historically, the actual mined grades have been above the estimated reserve grades for both of these deposits.

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So how much larger could the McLeay discovery be? How many known shoots are there?

MD Chris Bonwick

We've hit four shoots at McLeay, but the current reserves are only based on part of Shoots 1 and 2. McLeay is open to the south and east and it's important to note that the current reserves were based upon a 280m metre strike length for Shoot 1 and 140 metre strike length for Shoot 2. Geophysics indicates that Shoot 2 could be at least 185 metres long, and is still open to the south, and that Shoot 1 could be over 385 metres long, and is also open to the south and east.

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What is the forward infill and extension drilling program for McLeay? What potential extensions will you be chasing?

MD Chris Bonwick

We drilled out McLeay on a 20 metre by 20 metre pattern which is reserve drilling density. The most significant extension is probably to the south where Shoot 1 is interpreted to be approximately 85 metres in width. The Shoot 2 access will drive this shoot as far south as the economic nickel sulphides continue, hopefully a long way. We will use this drive to drill out the southern extension of Shoot 1, located beneath Shoot 2 which will hopefully commence in 2-3 months.

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In addition to McLeay, Independence reported encouraging drilling results from other areas at the Long Mine Complex. Can you summarise these targets and results to date?

MD Chris Bonwick

The Long South, Long North and McLeay Southerly Extensions are our priority exploration targets to locate new large nickel reserves. The Long South decline is now beneath the 3.6m @ 3.3% Ni drill intercept recorded from past drilling, at the northern end of our main target area beneath Victor, Victor South and McLeay. Drilling to date has intersected the Long lava channel which is very encouraging. Results to date include 1.4 metres at 4.3% nickel. (NB The average thickness of the Long ore body is about 2.6 metres at a grade of 3.8% Ni).

One of the most exciting things to happen for Independence in the last few months was the agreement to purchase WMC's (now BHP Billiton) tenements north of the existing mining area. WMC only drilled two holes north of Long Mine Complex and both hit nickel sulphides. WMC generated a geophysical down-hole TEM conductor about 400 metres north of our existing mine development. We plan to run TEM down those old holes to check this result, once the tenure is transferred to Independence which is expected to occur in the June quarter.

The presence of nickel sulphides highlights that there is potential for additional nickel sulphides in the Long lava channel 400 metres north of our existing mine development.

The Long ore body alone currently has a reserve of about 25,000 tonnes of nickel metal contained within a resource of about 50,000 tonnes and work is now focused on converting existing resources into additional reserves. As we mine Long, we continue to locate and mine ore outside reserve boundaries.

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Can you reiterate IGO's immediate and sustainable nickel production and operating cost targets?

MD Chris Bonwick

Over the remainder of our current six year mine life, which is based on reserves only, we have budgeted to produce 8,500 – 9,000 tonnes of nickel metal a year at cash costs of around A\$3.50 – A\$4.00lb payable nickel. If additional high grade ore is intersected south of McLeay, we expect to further improve our budgeted head grade and extend mine life. Our decline and shaft are under-utilised in terms of haulage capacity. If McLeay turns out to be a very large deposit, which it could do, we would certainly hope to increase annual production and we also have the interesting targets at Long South and Long North to evaluate. Any increase in production will have a positive impact on cash costs as a significant proportion of our costs are fixed.

We plan to commence mining the McLeay Shoot 1 (as opposed to access development) early next financial year. In the meantime we have to put in declines, crosscuts and a return airway.

The increase in mine life of the Long Mine Complex is based on reserves only and includes 14,000 tonnes of contained nickel at McLeay. IGO's total reserves stand at around 55,000 nickel tonnes. Since we bought the Long Mine Complex, we've increased reserves by over 46,700 tonnes of contained nickel from the initial starting inventory of 27,000 nickel tonnes at a discovery cost of only A\$331 per tonne of reserve nickel metal.

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You mentioned earlier that mined grades have been above reserve grade. Are you also continuing to mine substantial amounts of ore outside defined reserves?

MD Chris Bonwick

Yes we are. In the first half of FY05/06 we mined 4,147 tonnes of nickel metal from our reserve base. The reserve area mined was only estimated to contain 3,017 tonnes of nickel metal. In addition, we found another 446 tonnes outside reserves. So we depleted reserves by around 3,000 tonnes, but in fact we mined nearly 4,600 tonnes of contained nickel.

Since Independence started mining at Long, our plan had the Company mining 15,815 nickel tonnes from reserves until the end of December 05, but we actually mined 18,818 nickel tonnes and also found an additional 4,495 nickel tonnes outside reserves. Although it is early days we are already mining significantly more nickel from parts of Victor South compared to the ore reserve model.

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What's your regional exploration budget for FY06? Can you outline your regional nickel exploration strategy?

MD Chris Bonwick

We have a very talented team of geoscientists who have found over 20 orebodies between them. We're basically focusing on nickel and gold exploration and we will spend about \$2 million in FY06 on gold and \$3 million on nickel.

We have six nickel exploration JV's and we are systematically covering these projects with surface TEM surveys using our in-house geophysical team. We have defined numerous priority TEM conductors which we plan to drill test in the coming year.

Drilling is currently underway at the Ravensthorpe JV following up previous intercepts including 3m @ 3.0% Ni. Strong TEM anomalies remain to be drilled under Lake Lefroy (Kambalda Dome analogy) and at the Duketon JV once the tenements have been granted. Independence has entered into its first overseas joint venture in Sweden, where exploration in the 1940's located a flat nickel-copper lens averaging 2.0m thick containing 2.3% Ni and 0.6% Cu some 15-20m beneath the surface.

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You have previously reported good gold exploration results from the Tropicana, Mt Padbury and Dalwallinu gold projects. Can you summarise the most interesting or advanced gold projects and those which have the potential for significant resources?

MD Chris Bonwick

We now have five very good gold projects. Both Tropicana and Dalwallinu are completely virgin gold discoveries in areas where the Company has large regional tenement positions. Tropicana is a joint venture operated by AngloGold Ashanti targeting a large gold system. They have returned intersections in fresh bedrock such as 32 metres at 6.6g/t Au and 38 metres at 3.0g/t Au which included 10 metres at nearly 8g/t Au and the recently announced 42m at 3.3g/t Au which included 18m at 6.0g/t Au. Gold mineralisation at +1g/t has been defined over a 1.3km strike length and is open to the southwest and potentially 600m to the northeast if it is displaced by a fault. Also, the Tropicana Prospect represents only one of a number of gold anomalies identified within the Tropicana Project.

At Dalwallinu, we previously announced some spectacular gold results and at the Mt Padbury project we have defined three strong geochemical gold anomalies

south of the Fortnum gold mine. Independence also has a very large tenure package in the NSW Cobar Mineral Field where geochemical sampling is identifying large virgin gold anomalies.

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At Dalwallinu you announced several high-grade gold intersections. Although these occur over a relatively short strike length, you've said that it appears the mineralisation is increasing with depth. Can you explain what you've done so far at Dalwallinu and also its potential?

MD Chris Bonwick

The Dalwallinu project area is only about 180km north east of Perth and has about 70km of strike length on a major fault zone that we interpret may form a link between the Meekatharra, Mt Magnet, Mt Gibson gold camps and Dalwallinu. This is another virgin gold discovery, attributable to some new geological concepts developed by our geological team. There's very little outcrop and it is located in wheat and sheep country with no history of gold mining in the area.

Roadside sampling testing a conceptual gold target generated four gold anomalies. Pithara is the first anomaly we followed up with shallow auger geochemical drilling, defining a very strong sub-surface gold anomaly. Subsequent RC drilling returned some high grade gold intercepts including 13 metres at 19.5g/t. Recent drilling returned 7 metres at over 30g/t Au in fresh rock 40 metres below the surface, which was down plunge from the 13 metres at 19.5g/t Au intercept. The gold mineralisation intersected to date appears to be terminated by faults to the north and south. We are now exploring for the fault offset blocks. We are planning additional drilling to chase the gold lode along strike and at depth. We also have other targets in the district including the Wongan North Prospect where recent geochemical drilling has defined another large gold anomaly.

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What are IGO's corporate goals and your longer term growth strategy?

MD Chris Bonwick

Our corporate goal is to become a diversified mining house. We want to generate shareholder value and continue paying dividends. That means targeting an expanded production profile and mine life at Long, maintaining a low operating cost structure and finding and developing new projects.

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Is Independence looking for commodities other than gold and nickel?

MD Chris Bonwick

Independence has defined a very large Zn-Pb-Cu ± Au anomaly south of Telfer which requires drill testing once the tenement is granted. We also have a large iron ore target at Goldsworthy in JV with Western Australian Resources (WAR), which is situated 80km northeast of Port Hedland, adjacent to BHP Billiton's Yarri iron ore railway line. Independence recently farmed out a number of small iron

ore targets on the south western corner of the Goldsworthy project to Atlas. Atlas has subsequently drilled these, plus additional targets on their own tenure, returning high-grade hematite iron ore (55-60% Fe) with low contaminants. On the IGO/ WAR Joint Venture ground, a gravity survey over a banded iron formation fold closure concealed beneath alluvium produced a very strong anomaly where independent geophysical modelling from between 50 – 300m vertically beneath the surface indicates a mass of around 4 billion tonnes. As the anomaly is proximal to Port Hedland we plan to drill it as soon as the ground dries up after the recent cyclones in the district, to determine whether this mass contains economic iron ore deposits.

Independence is also looking at asset acquisitions and joint ventures. Acquisitions are very expensive at present so we're placing a greater emphasis on exploration. We're trying to spend our money wisely. Our nickel discovery cost at Long Mine Complex of \$331 per reserve nickel tonne has justified that approach and we're turning up some high-quality nickel targets in our regional exploration. Our gold exploration results are very encouraging and we are following up virgin gold discoveries at Tropicana and Dalwallinu and high-order gold geochemical anomalies at other prospects.

Our long term objective is to build a diversified Australian mining company with substantial sustainable earnings and the distribution of a high level of dividends. We're only four years old, but we have already made significant discoveries at the Long Nickel Operation, Tropicana and Dalwallinu.

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Thank you Chris.

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

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