INDEPENDENCE GROUP NL
ABN 46 092 786 304

29 February 2012 **Total Pages: 4**

COMMENTARY ON THE RESULTS FOR THE DECEMBER 2011 HALF YEAR

This is a Commentary on the Company's Half Year Information lodged with ASX on 29 February 2012 under Listing Rule 4.2A.

SUMMARY OF HALF-YEAR RESULTS

- Cash and cash equivalents of $262.2M
- Revenue from operations of $105.6M
- Cash flow from operations of $9.8M
- Earnings Before Tax, Depreciation, Amortisation and Impairment of $11.4M[#]
- Underlying Net Loss After Tax of $6.9M [#]
- Impairment of Assets of $66.7M
- Goodwill write-off of $91.1M
- Net loss after tax of $144.6M

[#] Non-IFRS. Refer page 2 for reconciliation to net loss after tax.

INTRODUCTION

In its 5 December 2011 Update on Operations and Financial for the December 2011 half year, the Company advised that there were reasonable grounds for expecting a significant write-down of both the Jabiru goodwill and the carrying value of the Jaguar/Bentley Operation, following on from the acquisition of Jabiru Metals Limited in the latter part of the year ended 30 June 2011. The December 2011 advice pointed out that any impairment would be a non-cash item.

In finalising the Company's Financial Statements for the half year, the Directors considered it appropriate to record an impairment charge, as detailed in this Commentary.

CASH

The Company remains in a strong financial position with cash and cash equivalents of $262.2M and debt of $23.2M as at 31 December 2011.

SIGNIFICANT MILESTONES FOR THE HALF YEAR

- The Company raised $115.5M in equity capital through a placement and share purchase plan completed in January 2012, primarily to add to cash reserves to fund its share of construction costs of the Tropicana Gold Project in Western Australia (IGO 30%).
- The Tropicana Gold Project remains on track for commissioning in the second half of 2013, with AngloGold Ashanti Australia Limited (70% owner and operator) announcing that it expects to commence commissioning Tropicana in October 2013.
- The Company announced a significant increase in the Tropicana Project Mineral Resources by 1.05Moz Au to 6.41Moz Au.
- The Long Nickel Operation in Western Australia (100% IGO) remains one of the lowest cost nickel producers in Australia, with an increase in contained nickel in ore reserves of 27% during the Half Year.
- The Definitive Feasibility Study of the Stockman Copper/Zinc/Silver/Gold Project in Victoria (100% IGO) continued, with the outcomes expected to be released to the market in the June Quarter 2012.
- Maiden Indicated and Inferred nickel resource of 1.741Mt @ 1.7% Ni, 0.4% Cu and 1.9g/t Pt/Pd for the Duketon Nickel JV in Western Australia (IGO earning 70%).
- Scoping Study commenced for the Karlawinda Gold Project in Western Australia (IGO100%).

Suite 4, Level 5 I South Shore Centre I 85 South Perth Esplanade I South Perth, Western Australia, 6151
PO Box 496 I South Perth I Western Australia 6951
Telephone: +61 8 9238 8300 I Facsímile: +61 8 9238 8399 I email: contact@igo.com.au I Website: www.igo.com.au

DIVIDEND

The Company will pay an interim fully franked dividend of 2 cents per share on 23 March 2012. The record date of the dividend will be 13 March 2012.

CHALLENGES DURING THE FIRST HALF

The first six months of the financial year were challenging for the Company. There were geotechnical issues which required a decrease in production from the Jaguar Mine, following the acquisition of Jabiru Metals Limited. Production at the adjacent Bentley Mine has been progressing as planned. There was also a significant decline in commodity prices, especially across the base metals of nickel, copper and zinc. Those factors, combined with the continued strength of the Australian Dollar against the US Dollar, resulted in a significant reduction in profitability. Additional capital was required to be spent on rectifying issues at the Jaguar Mine to ensure that targeted life of mine production was able to be achieved on a safe and viable basis.

Average realised zinc prices declined to A$0.83/lb in the December 2011 half year from A$0.94/lb in the June 2011 quarter. (The Jaguar mine was acquired at the beginning of that quarter).

Average realised copper prices declined to A$3.39/lb in the December 2011 half year from A$3.84/lb in the June 2011 quarter.

Average realised nickel prices declined to A$9.1/lb in the December 2011 half year from A$10.4/lb in the previous corresponding period.

EARNINGS RECONCILIATION	
Earnings Before Tax, Depreciation, Amortisation and Impairment	11.4
Depreciation and Amortisation	(21.6)
Impairment of Jaguar/Bentley Development Assets	(43.0)
Impairment of Jaguar/Bentley Property, Plant and Equipment	(23.6)
Goodwill Write-off	(91.1)
Tax Benefit	23.3
Net Loss after Tax	**(144.6)**

UNDERLYING NET LOSS AFTER TAX RECONCILIATION	
Underlying Net Loss After Tax	**(6.9)**
Impairment of Goodwill	**(91.1)**
Impairment of Jaguar/Bentley Assets	**(66.7)**
Tax Benefit of Asset Impairment	**20.1**
Net Loss after Tax	**(144.6)**

IMPAIRMENT OF ASSETS AND GOODWILL WRITE-OFF

The Company acquired Jabiru Metals Ltd during the 2011 financial year for a total consideration of $476M. Included in the fair value of assets acquired was a goodwill component provisionally recorded at $117M. Subsequently the Company's management determined that the goodwill on acquisition relating to the Jaguar/Bentley Operation was $91.1M. The carrying values of that Operation's assets and associated goodwill have now been assessed as at the 31 December 2011 reporting date. This was considered necessary in the context of falling commodity prices, the strengthening A$ exchange rate and geotechnical issues experienced at the Jaguar mine in the period since acquisition.

As prescribed by accounting standards and reviewed by the Company's external Auditors, the carrying values of the Jaguar/Bentley Operation's assets and goodwill have now been restated. A comparison of the Jaguar/Bentley Operation's carrying values before and after the impairment is stated in the following table:

DETAIL	PRE-IMPAIRED CARRYING VALUE* (A$M)	RESTATED CARRYING VALUE* (A$M)
Jaguar/Bentley Operation	168.6	101.9
Goodwill	91.1	0

***** Non-IFRS measure which comprises trade receivables, inventories, plant and equipment, capitalised mine properties and near mine exploration expenditure, net of payables and provisions.

OUTLOOK AND REVISED GUIDANCE

For the June 2012 half year, the Long Nickel Operation is expected to achieve the Company's 2011/12 production guidance. At the Jaguar/Bentley Operation mine production is planned to increase to 250,000 tonnes in the second half (200,000 tonnes in the first half) due to the commencement of long hole stoping at the Bentley mine. The new Heavy Media Separation (HMS) plant, which removes hard waste rock from diluted ore, thereby increasing mill feed grade, is expected to be ramped up to the name plate capacity of 45 tonnes per hour. Removal of hard waste rock, combined with softer Bentley ore, will increase milling rates. Due to the comparatively higher head grade and milling rates, metal production will be higher compared to the first half. The Company expects to meet its zinc and silver guidance, however copper is likely to be 10% lower than previous guidance.

In the financial year commencing July 2012, the Jaguar/Bentley mines are expected to operate at higher production levels, targeting 50,000 tonnes per month. Higher milling rates and increased grade, due to the HMS plant, are expected to increase metal production and lower operating costs.

The Company had **previously provided** the following production guidance for the financial year ending 30 June 2012:

DETAIL		PRODUCTION METAL
Long Nickel Operation	Nickel – tonnes	8,800 – 9,200
Jaguar/Bentley Operation	Copper - tonnes	8,500 – 9,500
	Zinc – tonnes	15,500 – 16,500
	Silver – ounces	400,000 – 500,000

Following the production issues experienced at the Jaguar/Bentley Operation, the Company **now provides** the following revised guidance:

DETAIL		PRODUCTION METAL
Long Nickel Operation	Nickel – tonnes	8,800 – 9,200
Jaguar/Bentley Operation	Copper - tonnes	7,500 – 8,500
	Zinc – tonnes	15,500 – 16,500
	Silver – ounces	400,000 – 500,000

Christopher M. Bonwick
Managing Director
INDEPENDENCE GROUP NL

COMPETENT PERSONS STATEMENTS

Competent Person Sign Off: With the exception of the Tropicana Mineral Resources and Ore Reserves, the information in this Commentary 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.

Tropicana JV: Please refer to the Company's 26 July 2011 and 29 November 2011 ASX announcements for Tropicana Mineral Resource and Ore Reserve Competent Persons Statements.

Duketon JV: Please refer to the Company's 25 January 2012 ASX announcement for the Duketon Mineral Resource Competent Persons Statement.

FORWARD-LOOKING STATEMENTS

This Commentary includes forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Independence Group NL's planned production 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," "guidance" 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.