# INDEPENDENCE GROUP NL

# QUARTERLY REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2006

## GROUP HIGHLIGHTS

- **Estimated 2005/6 NPAT** (unaudited and subject to possible nickel price adjustment) **$33.2.million** (receivables estimated at A$32,000 per Ni t).
- **June quarter NPAT - $17.3 million** after $5.0 million exploration write-off.
- **$50.1 million cash and net receivables** (March $27.0 million) after debt repayment of $1.0 million and tax payment of $2.3 million.
- **Bank debt now extinguished**.
- Final dividend expected to be announced after completion of the financial year audit.

## OPERATIONS HIGHLIGHTS

- **2005/6 production** was 238,551t @ 3.73% Ni for **8,897 nickel tonnes** (Ni t) (Budget 8,663 Ni t).
- June quarter production – **61,872t at 3.75% Ni** (Budget 63,130t @ 3.54%) **for 2,320 Ni t**.
- June quarter cash costs – **A$4.00/lb** payable nickel (Budget A$3.87) (**YTD A$3.75/lb**, Budget $3.92/lb payable nickel).
- 1,270 Ni t (**55%** of production) mined outside or in excess of June 2005 ore reserves (YTD 38%)
- McLeay Shoot 2 extended 150m south of current reserve block by drill intercepts of **16.3m @ 14.3% Ni** (3.5m true width) **and 6.0m @ 11.7% Ni** (3.7m true width) which is expected to add to ore resources and reserves.
- Long South TEM conductor detected by a down-hole geophysical survey south of the previously reported 3.6m @ 3.3% Ni and 2.45m @ 3.1% Ni intercepts.
- Long Nickel Mine's starting reserve of 27,300t Ni (October 2002) has now been mined (PTD 27,617 Ni t) with over 5 years of reserves currently defined at annualised 9,000 Ni t production rate.

## EXPLORATION HIGHLIGHTS

### GOLD

- Tropicana JV - New significant gold intersections (**29m @ 4.4g/t Au** from 219m) at Tropicana and the discovery of a new gold zone (**26m @ 2.0 g/t Au** from 142m) named Havana. The Tropicana JV partners are targeting a multi-million ounce open-cut gold mine (further drilling required to define resources).
- Mt Padbury - New gold discovery 35km south of Fortnum Gold Mine in WA (4m @ 3.8g/t Au and 17m @ 1.0g/t Au).
- Cobar - - New large virgin gold anomalies.

### NICKEL

- Ravensthorpe JV - 14 strong TEM anomalies delineated in the Mt Short area associated with ultramafics.
- Mt Tate JV - 1 strong TEM anomaly defined associated with ultramafics.
- Wiluna Option to JV - Option to explore northern end of the nickel-rich Agnew-Wiluna Greenstone Belt for nickel sulphides.

### OTHER

- Goldsworthy - Large gravity anomaly not explained by drilling but sediments with elevated copper and gold intersected. A deeper diamond hole is planned to locate the gravity anomaly source.
  - Thick magnetite-rich banded iron formation south of the gravity anomaly will be tested for magnetite ore potential.

# CORPORATE

**DIVIDEND**

IGO paid a 2 cent fully franked dividend to shareholders on 9 May 2006. A final dividend for 2005/6 will be announced when the audit is completed.

**PRELIMINARY RESULTS**

Preliminary final results are due to be announced to ASX by 13 September 2006.

**PROFIT**

The estimated NPAT for 2005/6 is $33.2 million. **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$24,000/t and an exchange rate of 0.75. The figures in this report are subject to any audit adjustments.**

**IFRS EFFECT**

A share-based payment expense of $0.1 million was recorded during the quarter (YTD $0.5m) in accordance with IFRS requirements.

**ISSUED CAPITAL**

Issued securities at 25 July 2006: 112,346,107 ordinary shares and 5,046,850 unlisted options.

**WEBSITE**

Investors and other interested parties can register to receive IGO announcements via Email Alerts. Please go to the new Investor Centre on the company's website www.igo.com.au to register.

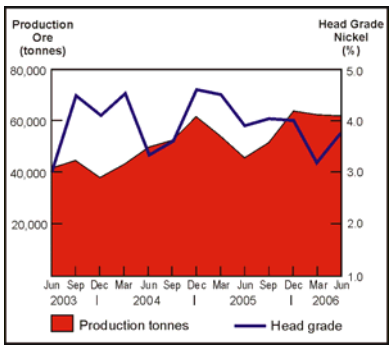
# CASH AND DEBT

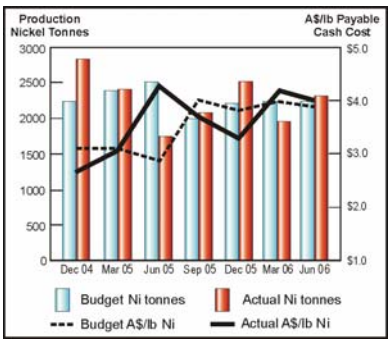
**CASH RESERVES**

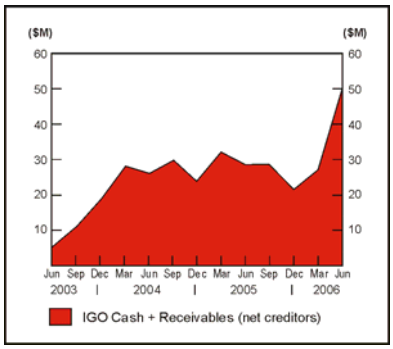
- $26.1 million cash (Mar $12.2m).
- $24.0 million nickel revenue in receivables net of creditors (Mar $14.8m).
- Total cash and net receivables were $50.1 million at the end of the quarter. A $1.5 million bond placed with WMC Resources Ltd for the purchase of the Long Nickel Mine lease and additional tenure is not included in the cash quoted.
- **Unhedged receivables have been valued using $US24,000/t Ni and 0.75 USD exchange rate.**

Major cash expenditure during the quarter was:-

- $1.4 million bank and hire purchase debt repaid.
- $1.1 million spent on Long and regional exploration.
- $2.3 million income tax payment.
- $2.2 million interim dividend paid.



### DEBT AT END OF THE QUARTER

A debt repayment of $1.0 million was made during the quarter to eliminate the company's bank debt.

$3.2 million (Mar $3.6m) 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 is reflected in each quarter's cash flow and profit figures.

### 2005/6 EXPLORATION EXPENDITURE & WRITE-OFF

- $1.1 million exploration expenditure was incurred during the quarter. This includes expenditure on the Long South target exploration decline.

- $5.0 million exploration expenditure was written off during the quarter (Mar $0.3m). An additional $0.1m was expensed against profits.

### HEDGING

- Hedged nickel metal remaining at the date of this report was 6,600t at AU$17,876/t, which is scheduled to be delivered as follows:

| | | |
|---|---|---|
| 2006/7 | 1,800t | Average AU$17,335/t |
| 2007/8 | 2,400t | Average AU$17,670/t |
| 2008/9 | 2,400t | Average AU$18,489/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 that they are negotiating funding options with Westpac Bank and off-take parties to fund the development of the White Range project. The bankable feasibility study is expected to be released in the September quarter.

### ATLAS IRON LIMITED

During the quarter Atlas Iron Limited issued IGO with 1 million Atlas shares (ASX Code: AGO) as payment for the iron ore rights on part of the Goldsworthy JV tenure. IGO and Western Australian Reources Ltd ("WAR") retain a 2% gross royalty on iron ore mined by Atlas, as well as a clawback right if the resource on the Goldsworthy tenure is more than 5 million tonnes of iron ore.

Atlas Iron Limited announced an initial resource of 2.372m tonnes @ 57.2% Fe at South Limb, which is on the Atlas/IGO/WAR Goldsworthy tenure. See Atlas Iron Limited's announcement dated 27 July 2006 for further details.

# MINING OPERATION

## LONG NICKEL MINE
IGO 100%

### SAFETY

The Lost Time Injury Frequency Rate (LTIFR) since the mine re-opened in October 2002 is 3.2, which compares favourably to the Industry Average of 6.6. There was one Lost Time Injury during the quarter taking the total to 3 LTI's since operations commenced in October 2002. The injury occurred when an operator injured his knee when stepping down from his machine.

### PRODUCTION

Production for the quarter was 61,872t at 3.75% Ni for 2,320 tonnes (contained nickel), which was mined by the following methods:

| | | | | | | |
|---|---|---|---|---|---|---|
| Flat-back | 9,107 | t @ | 2.92% | Ni for | 266 | Ni t |
| Long-hole | 20,016 | t @ | 3.11% | Ni for | 623 | Ni t |
| Hand-held | 8,229 | t @ | 3.86% | Ni for | 317 | Ni t |
| Jumbo Development | 24,520 | t @ | 4.54% | Ni for | 1114 | Ni t |
| TOTAL | 61,872 | t @ | 3.75% | Ni for | 2320 | Ni t |

Production was from the following sources:

| | | | | | | |
|---|---|---|---|---|---|---|
| Long | 35,855 | t @ | 3.11% | Ni for | 1,115 | Ni t |
| Mcleay (development) | 9,484 | t @ | 3.67% | Ni for | 348 | Ni t |
| Victor South | 16,530 | t @ | 5.18% | Ni for | 857 | Ni t |
| TOTAL | 61,872 | t @ | 3.75% | Ni for | 2,320 | Ni t |

Cash costs were A$4.00/lb payable nickel.

The budget for the quarter was 63,130t @ 3.54% Ni for 2,233 tonnes of contained nickel. The quarter's achievements included;

- Overall higher grades from the mine and in particular, better grades from Victor South than scheduled.
- Contained metal 4% above budget.
- Early production from the McLeay ore body.

The June quarter's performance against Budget was as follows:

- **Victor South** – Contributed 16,530t @ 5.18% for 857 Ni T (37% of total metal production for the quarter). Production was derived from drift and fill stoping & long hole activity along the 465mRL and 456mRLs.

- **Long -** A total of 35,855t @ 3.11% for 1,115 nickel tonnes was won from both mechanised and non-mechanised mining methods. Highlights from Long included higher grades from long-hole tonnes and the commencement of development to access the 16/5 and 15/5 ore blocks.

- **McLeay** – A minor amount of ore was won from the initial jumbo development on Surfaces 1 and 2 (9,484t @ 3.67% for 348 nickel tonnes). McLeay Surface 1 development (500mRL) started to deliver ore late in the quarter; we anticipate an increasing contribution from McLeay in subsequent quarters.

### ORE RESERVE COMPARISON

55% of the nickel tonnes produced during the quarter was mined outside of ore reserve boundaries, or in excess of the current ore reserve prediction, as follows:

| | | | | | | |
|---|---|---|---|---|---|---|
| Inside Reserves | 55,116 | t @ | 3.8% | Ni | 2,104 | Ni t |
| Outside Reserves | 6,756 | t @ | 3.2% | Ni | 216 | Ni t |
| TOTAL MINED | 61,872 | t @ | 3.75% | Ni | 2,320 | Ni t |
| *Reserve Estimate** | 27,940 | t @ | 3.76% | Ni | 1,050 | Ni t |

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

Lightning Nickel is currently undertaking a resource and reserve update which will be compiled during the September quarter. The results of this

review will form the basis for production planning & scheduling for the next two financial years.

## DEVELOPMENT

**Long South Exploration Decline**
No development was progressed during the June quarter. Activities included the renewal of the diamond drilling contract and strategic targeting (incorporating DHEM vectors) for the drilling program due to commence in the September quarter.

**McLeay Decline**
During the quarter capital development reached the 500mRL; subsequent development to access Surface 1 and strike driving of ore commenced. The focus over the next quarter will be on ore development.

Subject to the results of the current drilling program, development is scheduled to expose the western limits of McLeay Surface 2. This drive is an exploration drive and due to its location, will also facilitate the extension and infill drilling for McLeay Surface 1.

**Victor South**
Minor capital development occurred on the main Victor South decline, accessing the eastern boundary of Surface 2 of the Victor South ore body.

**Long**
Production development in Long focused on the 16/4, 15/2, 16/3 and 15/5 ore blocks. Rehabilitation 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 September quarter will be:

**McLeay**

- Continued ore development (strike drive) along the 500mRL horizon of McLeay.
- Continuation of the development and exploration strategy in the 460mRL drive of McLeay Surface 2, searching for extensions of the known ore surfaces and new ore surfaces. The exploration drive is currently developing on waste outside the reserves boundary but ore has been identified below the drive and is expected to be intersected during the September quarter.

**Victor South**

- Continuous stoping of Surface 2 on the 465, 462 and 456mRLs using a range of mining methods that are appropriate for the area.
- Continued capital development to access the Eastern flank of Surface 2, down dip of the 465mRL production stope.

**Long**

- Continued focus on rehabilitation of 14/1 northern pillars and stoping of the 14/1 southern pillars.
- Continuation of stoping in the 15/2, 16/4, and 16/3 ore blocks.
- Complete accessing and commence ore driving in the 15/5 ore block.

## 2006/7 OPERATING BUDGET

**2006/7 Operations Budget**

| | 2006/7 Budget | 2005/6 Actual |
|---|---|---|
| Mined tonnes | 200-220,000t | 238,547t |
| Ni% | 4.0% | 3.7% |
| Ni tonnes produced | 8,500-8,800 | 8,897t |
| IGO payable nickel tonnes | 5,000-5,250t | 5,198t |
| A$/lb nickel IGO payable costs | $3.90-$4.10 | $3.75 |

Budget production costs have increased slightly predominately due to increases in diesel fuel costs, wages and higher royalties due to the higher forecast nickel price.

## EXPLORATION

Exploration activities during the quarter focused on consolidation of previous results, finalising the 2006/7 drilling programs and re-tendering of the diamond underground drilling contract. The total exploration budget for 2006/7 financial year is $6M. Drilling re-commenced on 14 June 2006 and is focused on the McLeay and Long South areas.

### McLeay Deposit

Recent drilling has focused on defining the extent and geometry of Shoots 1, 2 and 4 in the northern and southern extremity of the presently defined ore body.

Planned exploration at McLeay for the September quarter will extend the 460 Drill Drive to the south, which will allow effective drill testing of Shoots 1, 2 and 4 beyond the currently defined resource limits.

### McLeay Shoot 1

Drilling at the northern end of McLeay has revealed more details on the geometry of the ore shoots and controlling structures.

Significant intersections are

**MDU-113 Shoot 1 6.4m @ 9.7% Ni (4.5 m true width ("TW"))**
**MDU-114 Shoot 1 5.7m @ 10.4% Ni (4.5 m TW)**
**MDU-131 Shoot 1 8.0m @ 5% Ni (visual estimate ("VE")) (8m TW)**

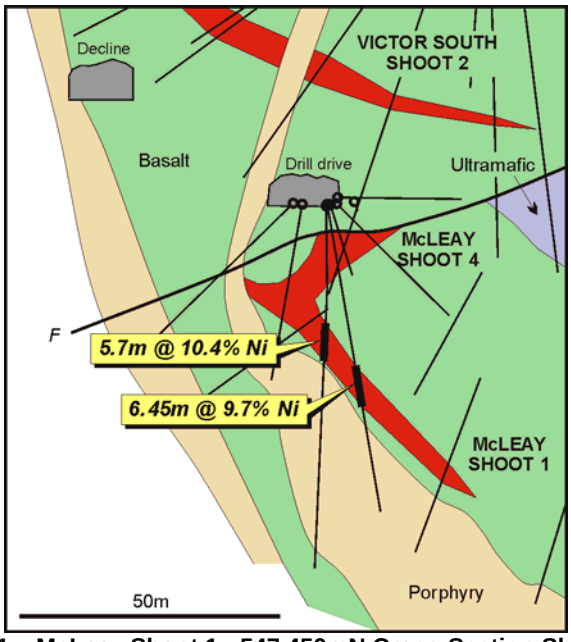



**Figure 1: McLeay Shoot 1 - 547,450mN Cross-Section Showing Resource Boundaries, Cross-Cutting Porphyry Dykes, Drill Holes and Significant Intercepts and the Location of the 460 Development Drill Drive**

### McLeay Shoot 2

Development on Shoot 2 is progressing north and south. The southern heading was temporarily stopped at 547210mN when the ore shoot was displaced by an east-west striking fault, which dropped the ore contact 12m in RL to the south, below the current drive. Drilling has now shown this surface continues south to at least 547125mN, or 90m south of the Inferred Resource limits (150m south of the previously defined reserve limits).

Significant results include:

**MDU-117 Shoot 2 6.0m @ 11.7% Ni (3.7m TW)**
**Shoot 4 2.7m @ 4.7% Ni (2.4m TW)**

**MDU-133 Shoot 2 16.3m @ 14.3% Ni (3.5m TW)**

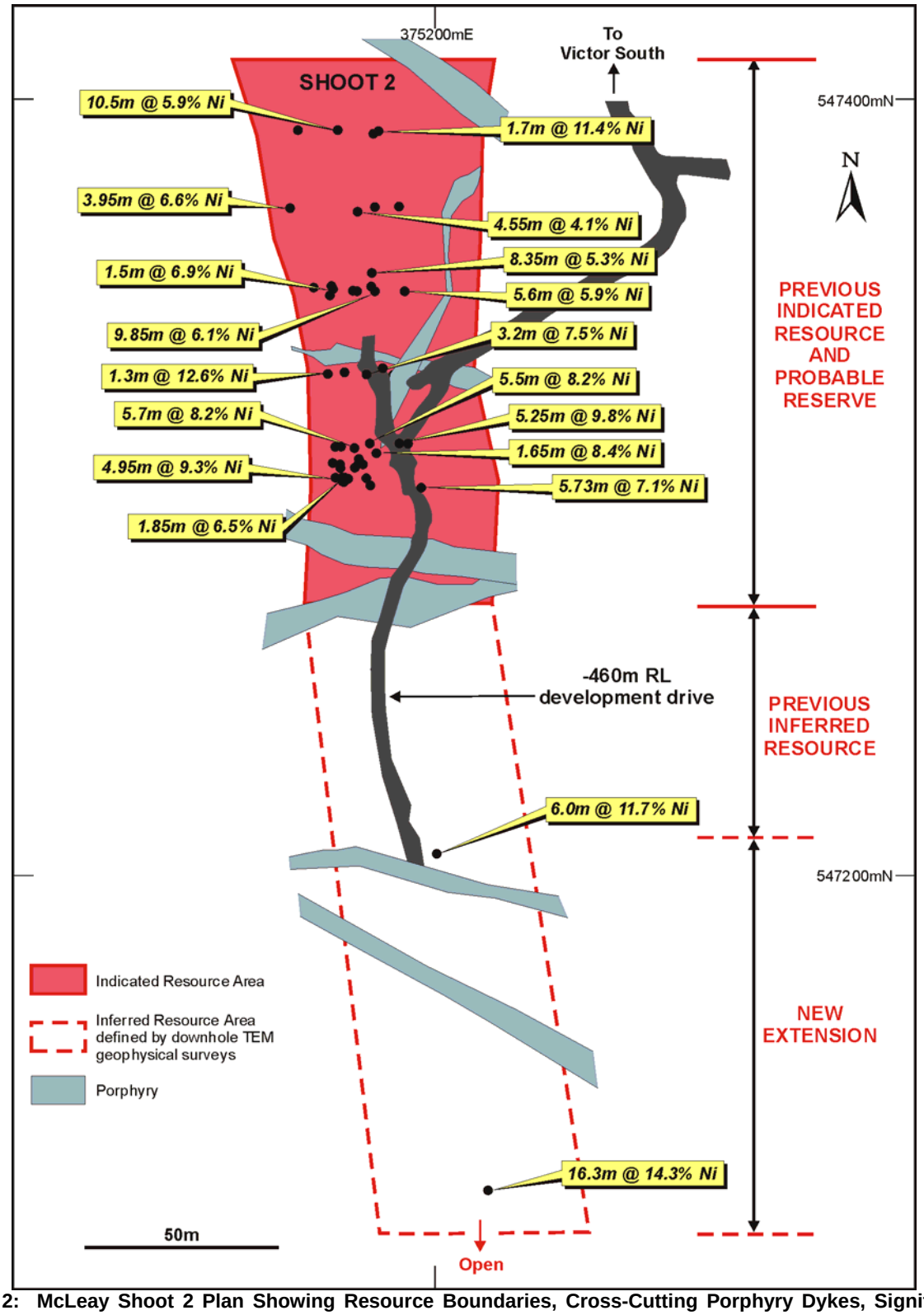



**Figure 2: McLeay Shoot 2 Plan Showing Resource Boundaries, Cross-Cutting Porphyry Dykes, Significant Intercepts and the Location of the 460 Development Drive**

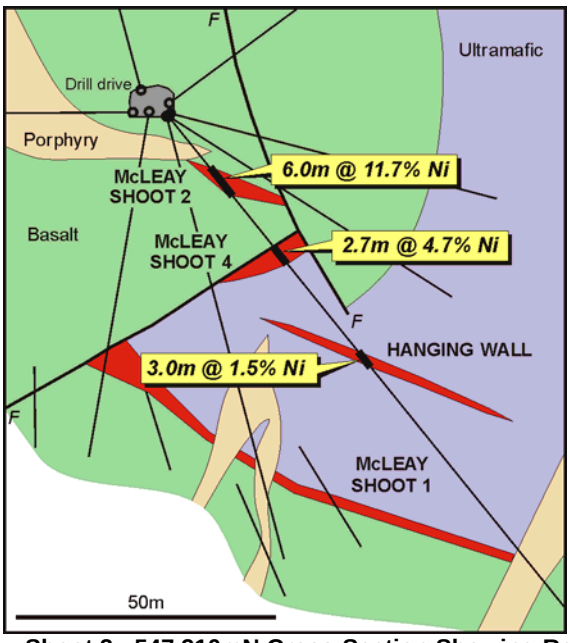



**Figure 3: McLeay Shoot 2 - 547,210mN Cross-Section Showing Resource Boundaries, Cross-Cutting Porphyry Dykes, Drill-holes, Significant Intercepts and the Location of the 460 Development Drill Drive**

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**Table 1: McLeay Significant Resource 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-131 | 547459 | 375195 | -471 | 327 | -64 | 40.1 | 23 | 31 | 8 | 8 | 5%VE |
| 1 | MDU-130 | 547454 | 375188 | -470 | 275 | -80 | 34.0 | 21.2 | 25.2 | 4 | 4 | 4%VE |
| 1 | MDU-129 | 547452 | 375195 | -470 | 163 | -49 | 84.1 | 42.7 | 45.5 | 2.8 | 2.8 | 3% VE |
| 1 | MDU-128 | 547452 | 375195 | -470 | 206 | -34 | 72.1 | 29.1 | 31.6 | 2.5 | 2.5 | 3.5% VE |
| 1 | MDU-126 | 547210 | 375200 | -450 | 90 | -75 | 86.3 | 64.9 | 66.7 | 1.8 | 1.8 | 3%VE |
| 1 | MDU-114 | 547452 | 375195 | -468 | 70 | -90 | 72.1 | 23.8 | 29.5 | 5.7 | 4.5 | 10.40% |
| 1 | MDU-113 | 547452 | 375195 | -468 | 60 | -80 | 95.0 | 35.2 | 41.6 | 6.4 | 4.5 | 9.70% |
| 2 | MDU-133 | 547202 | 547200 | -449 | 160.5 | -15 | 154.4 | 70.8 | 87.1 | 16.3 | 3.5 | 14.3% |
| 2 | MDU-117 | 547210 | 375200 | -450 | 90 | -51 | 128.4 | 12.7 | 18.7 | 6 | 3.7 | 11.73 |
| 4 | MDU-132 | 547460 | 375200 | -470 | 36 | -60 | 36.8 | 16.1 | 18.7 | 2.6 | 2.6 | 6%VE |
| 4 | MDU-130 | 547454 | 375188 | -470 | 275 | -80 | 34.0 | 10.7 | 12.15 | 1.45 | 1.45 | 6%VE |
| 4 | MDU-129 | 547452 | 375195 | -470 | 163 | -49 | 84.1 | 7.6 | 8.6 | 1 | 1 | 2.5% VE |
| 4 | MDU-128 | 547452 | 375195 | -470 | 206 | -34 | 72.1 | 7.4 | 10.8 | 3.4 | 3.4 | 2% VE |
| 4 | MDU-117 | 547210 | 375200 | -450 | 90 | -51 | 128.4 | 32.5 | 35.25 | 2.75 | 2.4 | 4.70% |

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

### Long South

The first phase of drilling and DHTEM is complete. This program included holes testing the northern end of the Long South target which lies off the southern extremity of the exploration decline. Notably DHTEM in hole LSU-069, 70m south of LSU-045, has indicated an off-hole TEM anomaly to the east and extending further to the south. The southern limit is not defined. A conductive plate derived from modelling of the DHTEM data of LSU-069 is proximal to a prospective contact that is stoped out by porphyry. The immediate hanging-wall consists of talc magnesite ultramafic and elevated nickel up to 1.42% Ni, indicative of prospective channel ultramafics. LSU-045 intersected massive and matrix sulphides (2.45m @ 3.1% Ni) on the

footwall, in an ultramafic-basalt contact, 55m south of the surface hole KD6067BW7 (3.6m @ 3.3% Ni).

In the September quarter, exploration at Long South will consist of follow up drilling of the DHTEM anomaly in hole LSU-069 and extension of the decline development to the south to allow drill platforms for further drill testing south of the Long South target.

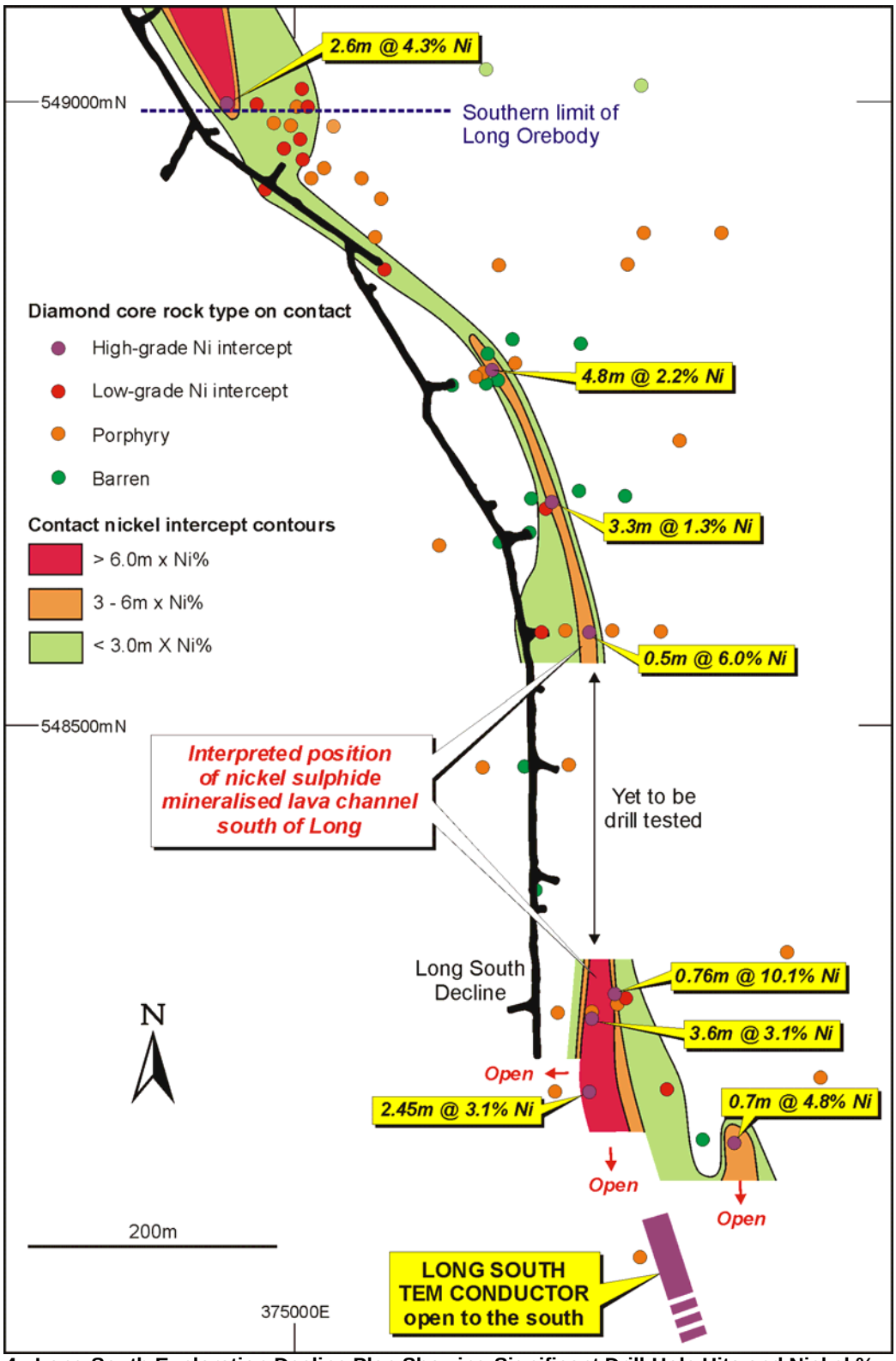


**Figure 4: Long South Exploration Decline Plan Showing Significant Drill-Hole Hits and Nickel % x thickness (m) Mineralisation Envelopes and TEM Conductor, Open to the South**

**Long North Target**
Legal agreements are yet to be finalised which has prohibited any work being carried out on these tenements

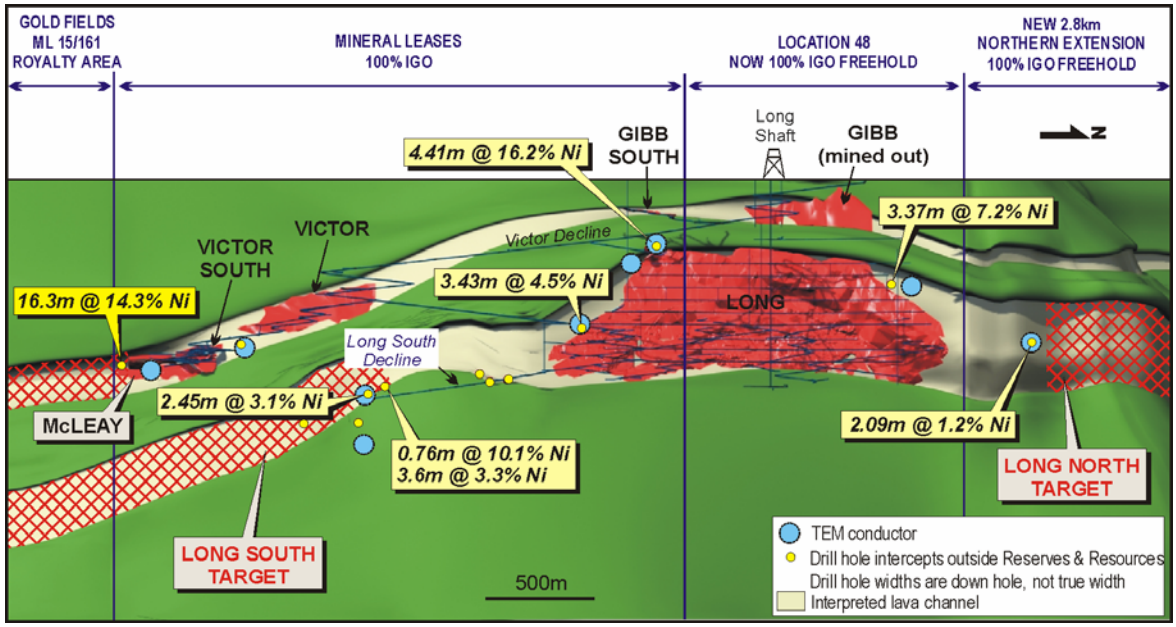


**Figure 5: Long Mine Complex Longitudinal Projection Showing the Long South and Long North Target Access and Significant Intercepts Outside Current Reserves and Resources**

## LONG NICKEL MINE PRODUCTION SUMMARY

| | Note | Jun '06 Quarter | 2005/6 FY to Date | Jun '05 Prev. Quarter |
|---|---|---|---|---|
| ***Mining Reserve (Dry Tonnes)*** | | | | |
| Start of Period | | 1,262,021 | 1,438,700 | 1,018,132 |
| - ROM Production | 1 | (61,872) | (238,551) | (45,787) |
| End of Period | | 1,200,153 | 1,200,149 | 972,345 |
| ***Production Details:*** | | | | |
| Ore Mined (Dry Tonnes) | 1 | 61,872 | 238,551 | 45,787 |
| ***Ore Milled (Dry Tonnes)*** | | 61,872 | 238,551 | 45,787 |
| Nickel Grade (Head %) | | 3.75 | 3.73 | 3.86 |
| Copper Grade (Head %) | | 0.27 | 0.26 | 0.28 |
| ***Metal in Ore Production (Tonnes)*** | | | | |
| Nickel delivered | 2 | 2,320 | 8,897 | 1,767 |
| Copper delivered | 2 | 172 | 638 | 127 |
| ***Metal Payable IGO share (Tonnes)*** | | | | |
| Nickel | | 1,359 | 5,198 | 1,032 |
| Copper | | 69 | 258 | 52 |
| ***Hedging*** | | | | |
| Tonnes delivered into Hedge | | 450 | 3,366 | 972 |
| Average Price (AU$/t) | | 17,442 | 14,615 | 14,477 |

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%.

| | | | | |
|---|---|---|---|---|
| ***Revenue/Cost Summary*** | | ***A$'000's*** | ***A$'000's*** | |
| Sales Revenue (incl. hedging) | | 47,575 | 110,114 | 14,808 |
| Cash Mining/Development Costs | | (7,779) | (27,936) | (6,314) |
| Other Cash Costs | 3 | (4,214) | (15,072) | (3,490) |
| Depreciation/Amortisation/Rehabilitation | | (2,189) | (9,124) | (2,172) |
| ***Total Unit Cost Summary*** | | ***A$/lb Total Metal Produced*** | ***A$/lb Total Metal Produced*** | |
| Cash Mining/Development Costs | | 1.52 | 1.42 | 1.62 |
| Other Cash Costs | 3 | 0.82 | 0.77 | 0.90 |
| Depreciation/Amortisation/Rehabilitation | | 0.43 | 0.47 | 0.56 |
| ***Revenue/Cost Summary*** | | ***A$/lb Payable Metal*** | ***A$/lb Payable Metal*** | |
| Sales Revenue (incl. hedging) | 4 | 15.88 | 9.61 | 6.51 |
| Cash Mining/Development Costs | | 2.60 | 2.44 | 2.78 |
| Other Cash Costs | 3 | 1.40 | 1.31 | 1.53 |
| Depreciation/Amortisation/Rehabilitation | | 0.73 | 0.80 | 0.96 |

Note 3. Other Cash Costs include milling, royalties and site administration.
Note 4. Sales Revenue per pound includes nickel price adjustments for prior periods.

| | | | | |
|---|---|---|---|---|
| ***Safety and Productivity*** | | | | |
| - Lost Time Injuries | | 1 | 1 | 0 |
| - Medically Treated IFR | | 26.3 | 39.6 | 37.1 |
| - Nickel Productivity Rate | 5 | 80.0 | 76.7 | 64.9 |

Note 5. Nickel Productivity Rate = Productivity measured as annualised nickel tonnes per full-time-equivalent-employee.

| | | | |
|---|---|---|---|
| ***Development/Exploration Drilling*** | **Metres** | **Metres** | |
| Development | 0 | 2,679 | 1,009 |
| Production | 577 | 4,791 | 721 |
| Exploration | 1,077 | 15,555 | 1,304 |
| | 1,654 | 23,025 | 3,034 |

# REGIONAL NICKEL EXPLORATION

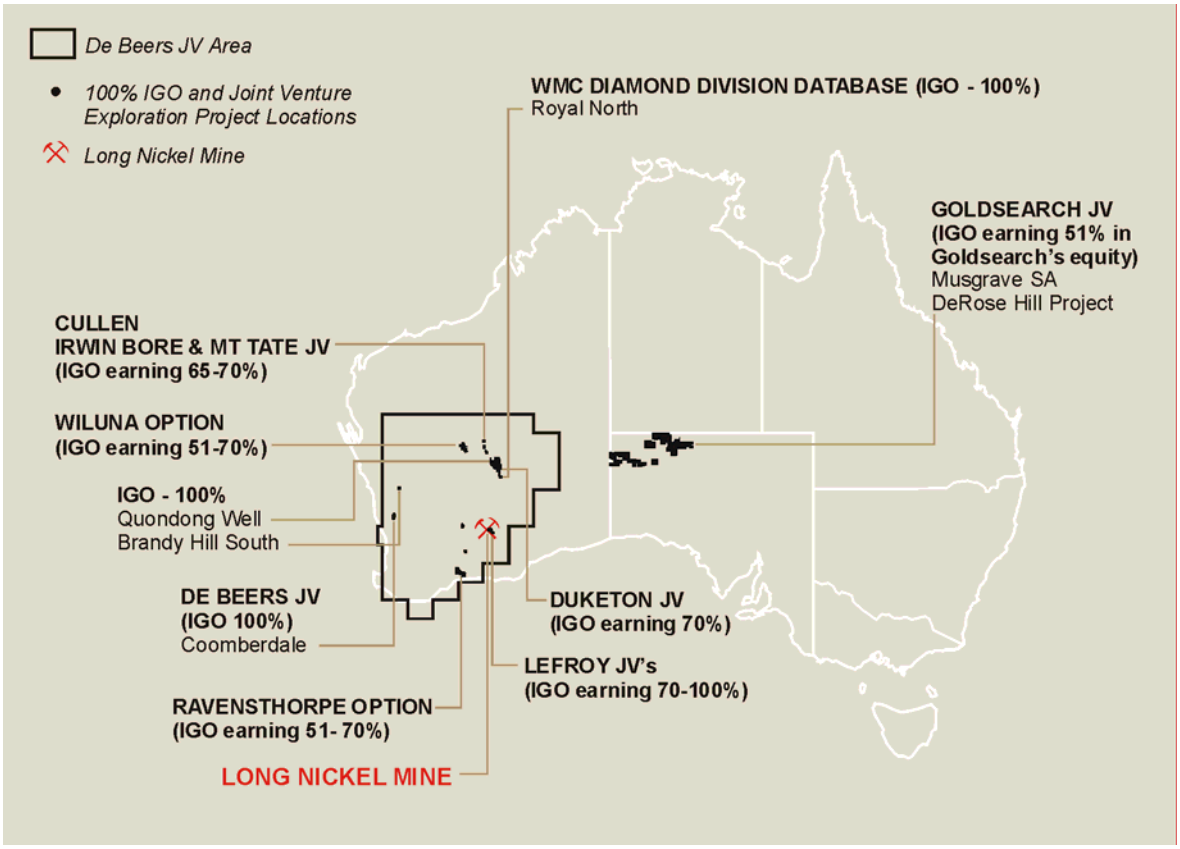


**Figure 6: IGO Nickel Project Locations**

## 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 for the nickel laterite and iron ore rights). IGO has committed to spend $1.5 million on the project by December 2006.

The Ravensthorpe Project contains widespread nickel sulphide mineralisation and covers about 60 strike kms of prospective ultramafic stratigraphy within the Ravensthorpe Greenstone Belt **(Figure 7)**.

The project tenure is immediately adjacent to the RAV8 deposit, which produced 443,000t at 3.46% Ni for 15,350t Ni (*Tectonic Quarterly Report 30 June 2005*).

The Ravensthorpe Greenstone Belt is interpreted to be equivalent stratigraphically to the Forrestania Greenstone Belt, which contains numerous deposits including the Flying Fox T5 nickel deposit (Probable Ore Reserve of 843,000t @ 5.9% Ni containing 49,500t of nickel metal (*Western Areas NL website*)).

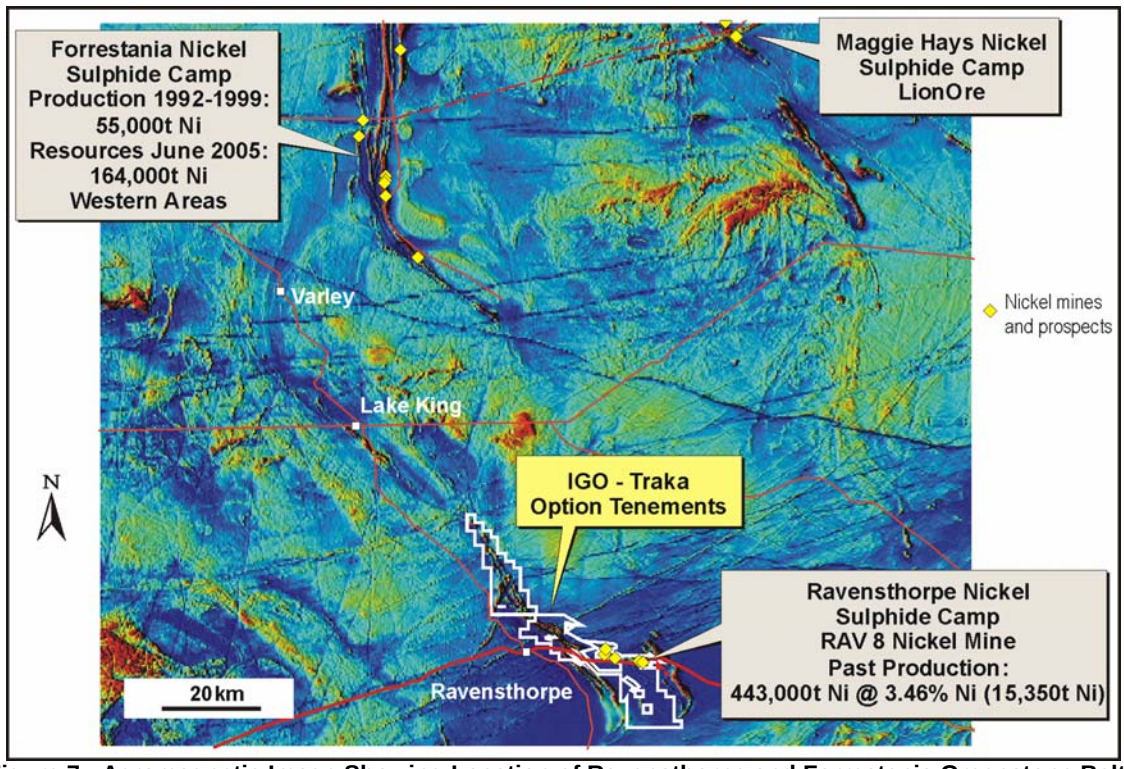


**Figure 7: Aeromagnetic Image Showing Location of Ravensthorpe and Forrestania Greenstone Belts**

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.

During the quarter 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 ore body 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 and therefore its response to EM. Nickel mineralisation may only produce subtle EM response necessitating close integration with other datasets 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 south east and west of the RAV4 West prospect.

Further drilling (10 holes for 1100m) is also 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 the prospect is considered to have good potential for shallow mineralisation that could be economically exploited.

At Mt Short where supergene alteration is believed to be less prevalent, 19 detailed follow-up EM traverses have been completed. From this work 14 bedrock conductors have been selected for drill testing.

Drill testing of all targets is scheduled for the September quarter.

## STORBODSUND JV - SWEDEN (IGO EARNING 70%)

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 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 10-15m 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 8**). 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.

Disseminated nickel mineralisation has been mapped in outcrop 2.5 km north of the drilled area and an interpretation of aeromagnetic data indicates that the host intrusion continues under cover for 16km to the north east.

A field check was completed during the quarter 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 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. The survey, initially planned for June, is now scheduled to be completed in August.

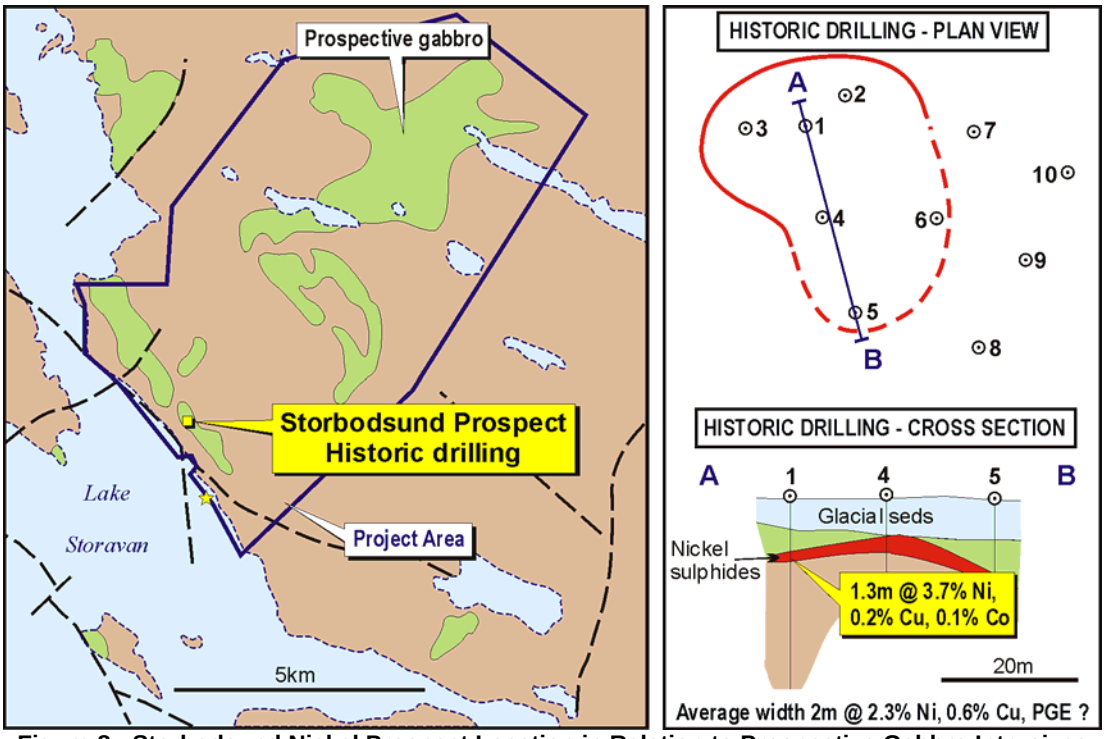


**Figure 8: Storbodsund Nickel Prospect Location in Relation to Prospective Gabbro Intrusives**

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

The Cullen JV is situated immediately south of BHP Billiton's AK47 Ni-Cu sulphide discovery. The Cullen JV is systematically testing the strike extension of the AK47 ultramafic stratigraphy for Ni-Cu sulphides using a combination of exploration methods.

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 CRAE returned up to 5270ppm Ni and 2263ppm Cu, suggesting the presence of nickel sulphide mineralisation. Drill testing of this target is scheduled for the September quarter, subject to heritage clearance.

Further evaluation of EM targets at Irwin Bore indicates that one of the conductors (target 28H) is deeper than previously modelled and therefore may not have been tested by the previous drill program. A deeper hole is planned to intersect the conductor at vertical depth of 220m.

### WILUNA NICKEL JV (IGO OPTION TO EARN 70% NICKEL SULPHIDE RIGHTS)

IGO has entered into an option agreement with Agincourt Resources Limited ("AGC") over their extensive tenement package located at the northern end of the Agnew Wiluna Greenstone Belt (**Figure 9**). 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 six months to evaluate a minimum of six priority target zones and must spend at least $120,000. If this initial evaluation proves positive, IGO can 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.

The AGC tenure covers approximately 40km of strike of the ultramafic trend immediately north of Honeymoon Well and the Wedgetail Deposit (1mt @ 6.9% Ni). Past exploration within the tenure has been 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.

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 can potentially use the low temperature SQUID EM device under its exclusive licensing agreement with Anglo American Exploration (Australia) Pty Ltd. The SQUID is ideally suited to exploring beneath conductive cover. IGO will evaluate the potential of the ultramafic sequence that is interpreted to extend under Proterozoic cover at the northern end 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 is scheduled to commence in the September quarter.

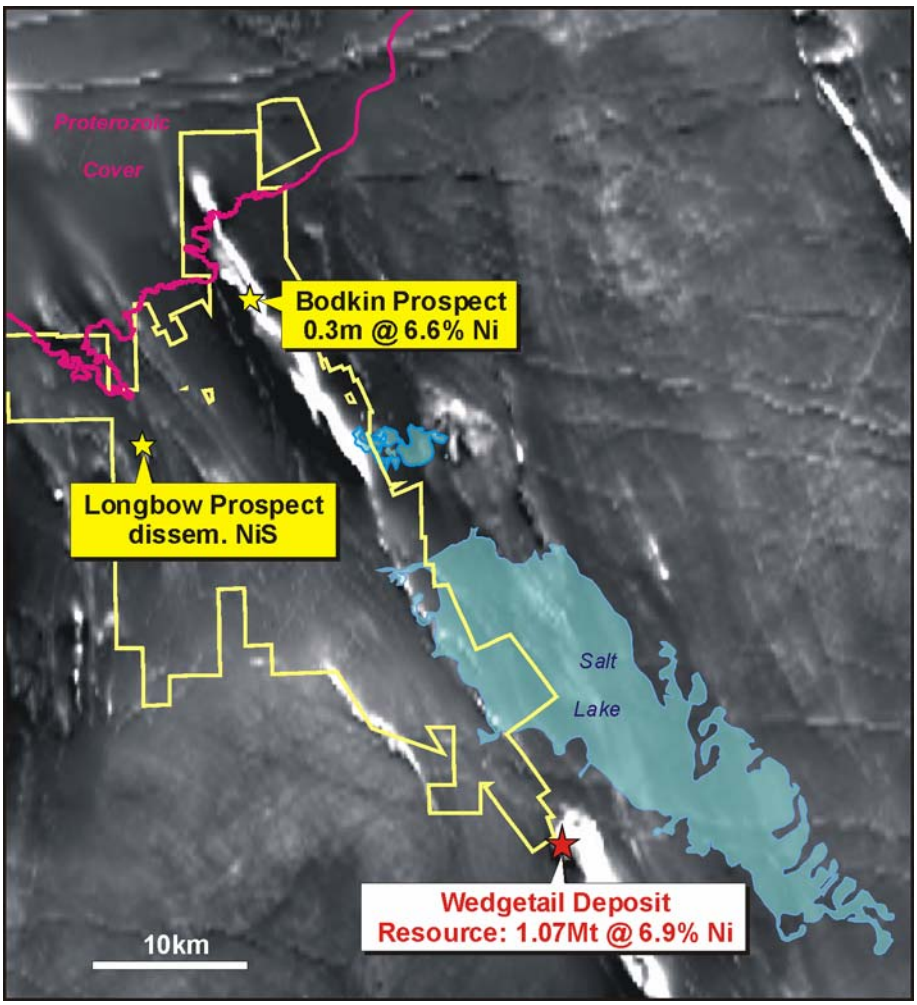


**Figure 9: Wiluna Nickel Option – Location Over Magnetic Image**

## LAKE LEFROY PROJECT (EXCALIBUR & YAMARNA JV'S- IGO EARNING 80% ANGLOGOLD ASHANTI – 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 systems.

Three Joint Ventures covering interpreted prospective stratigraphy east of Kambalda, beneath Lake Lefroy which cannot be explored with conventional EM systems, are currently being tested by the SQUID.

Approximately 50% of the targeted magnetic features under tenure have been covered with the SQUID to date. Surveying has been curtailed by wet conditions on the Lake and will recommence once it has dried sufficiently.

One strong conductor has been defined to date within the Excalibur JV (previously Strata) tenement (E15/852). Heritage agreements in relation to this tenement are in place and a drill program is planned for the September quarter following heritage clearances.

# REGIONAL GOLD EXPLORATION

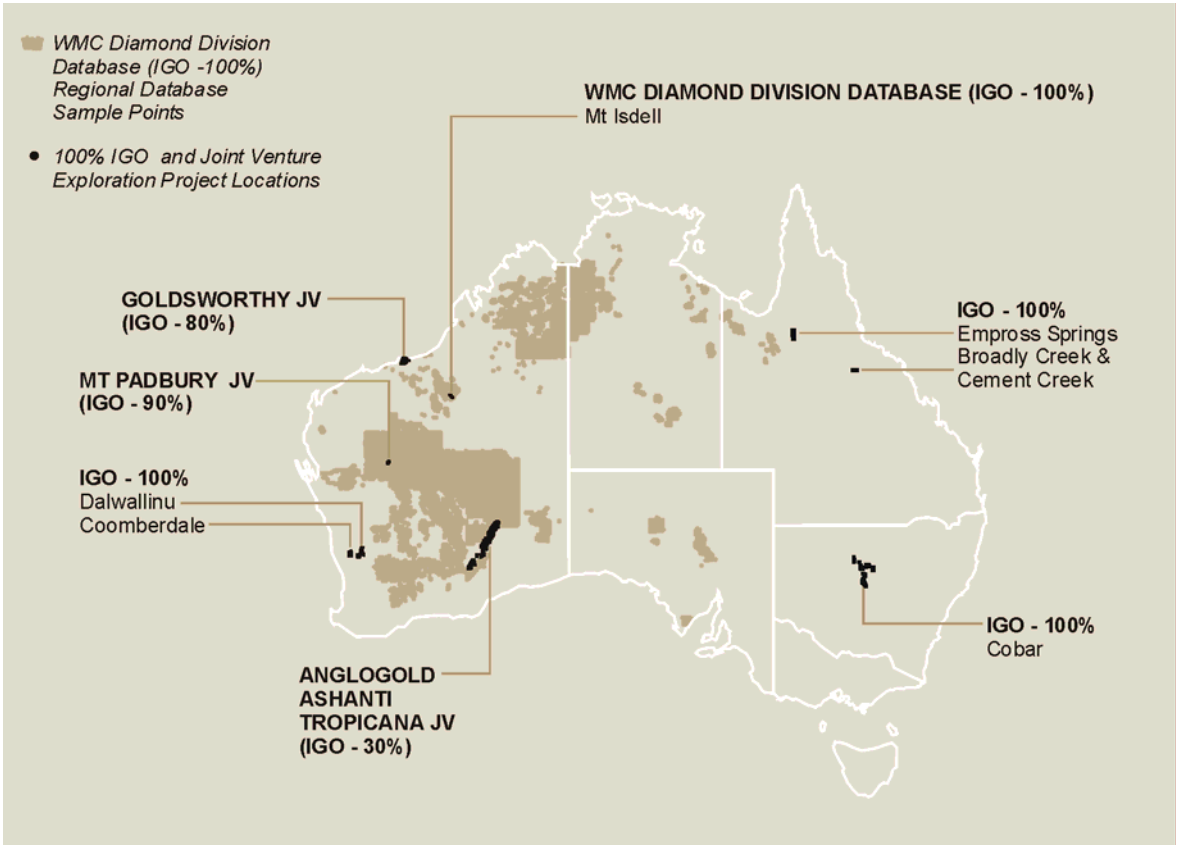


**Figure 10: IGO Gold Project Locations**

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

The Tropicana Joint Venture comprises approximately 12,260 km$^2$ of largely unexplored tenure over a strike length of 350km along the Yilgarn Craton – Fraser Range Mobile Belt collision zone **(Figure 11)**.

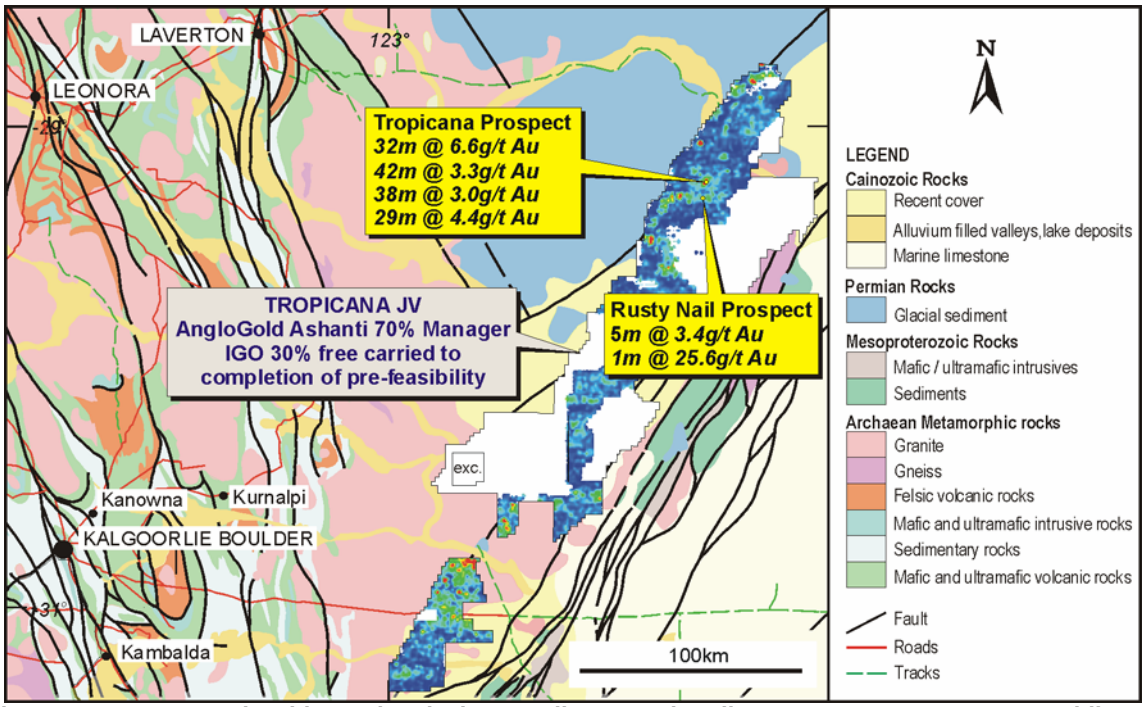


**Figure 11: Tropicana JV - Tenure and Gold Geochemical Anomalies Over the Yilgarn Craton-Fraser Range Mobile Belt Collision Zone**

During the quarter Joint Venture partner AngloGold Ashanti discovered a significant new zone of mineralisation, referred to as the Havana Zone, at the southern end of the main Tropicana Prospect. Ongoing exploration is targeting a multi million ounce gold system. Extensive drilling is required to bring this target to a JORC-compliant resource level. Full details of this discovery were provided in an ASX release on 6 July 2006.

A summary of key results is provided below.

**Tropicana Prospect**

AngloGold Ashanti continues to generate exciting gold results at the Tropicana Prospect. Recent results include 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 **(Figures 12-14)**. The dip and width of mineralisation indicate the potential for open-cut ore mining widths up to 70m. The intercept in TPRC021D of **19m @ 6.3g/t Au** (true width) approximately 200m beneath the surface, also indicates potential for underground mining. Drilling is continuing and assay results are currently awaited for 18 diamond holes.

**Havana Zone**

The Havana Zone is centred 1.1km south-west of the mineralisation previously reported at the Tropicana Zone **(Figure 12)**. The Havana Zone 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. These holes contain multiple separate zones containing potentially economic widths in excess of 10m as follows **(Figure 15)**:

- 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 30º to the southeast), 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.

The Havana Zone represents the second discovery of a large gold system of likely Proterozoic age. Drilling is continuing to determine the strike and down dip extent of the gold system which has the potential to be an extension of the Tropicana Zone **(Figure 12)**.

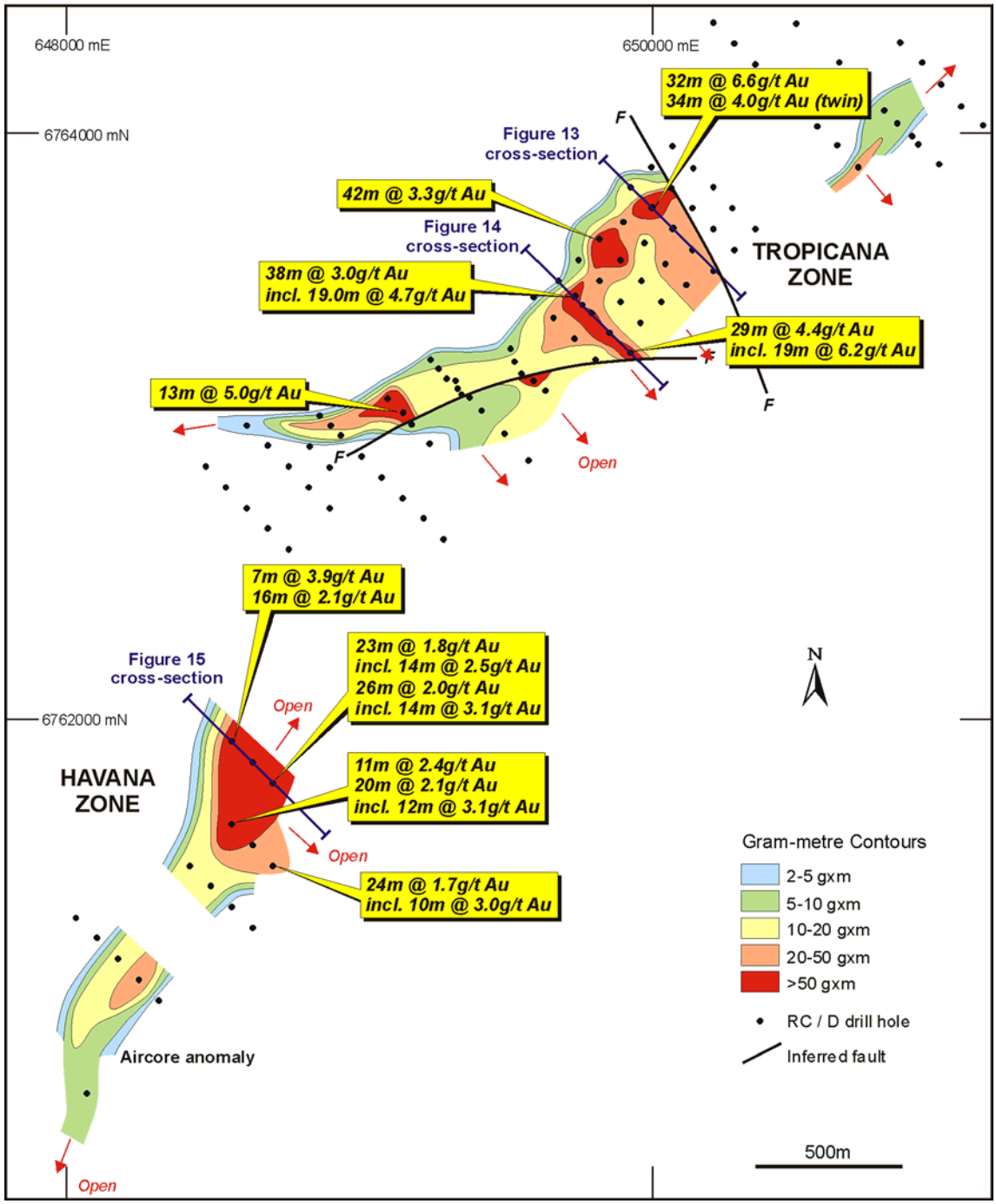


**Figure 12: Tropicana JV – Tropicana Prospect Plan Showing Significant Intercept Locations, g/t Au, m Thickness Contours, and Location of Havana Zone**

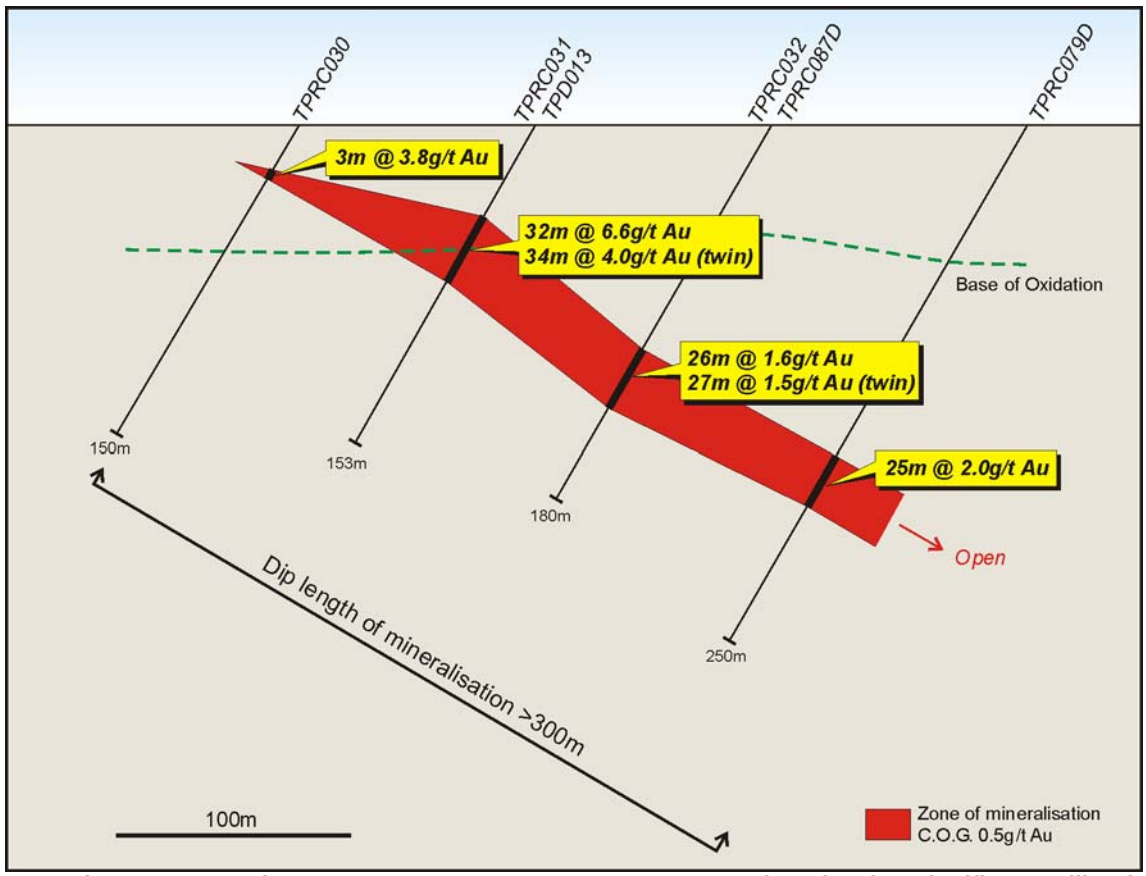


**Figure 13: Tropicana JV – Tropicana Zone TPRC019-TPRC021D Cross-Section Showing Significant Drill Hole Results**

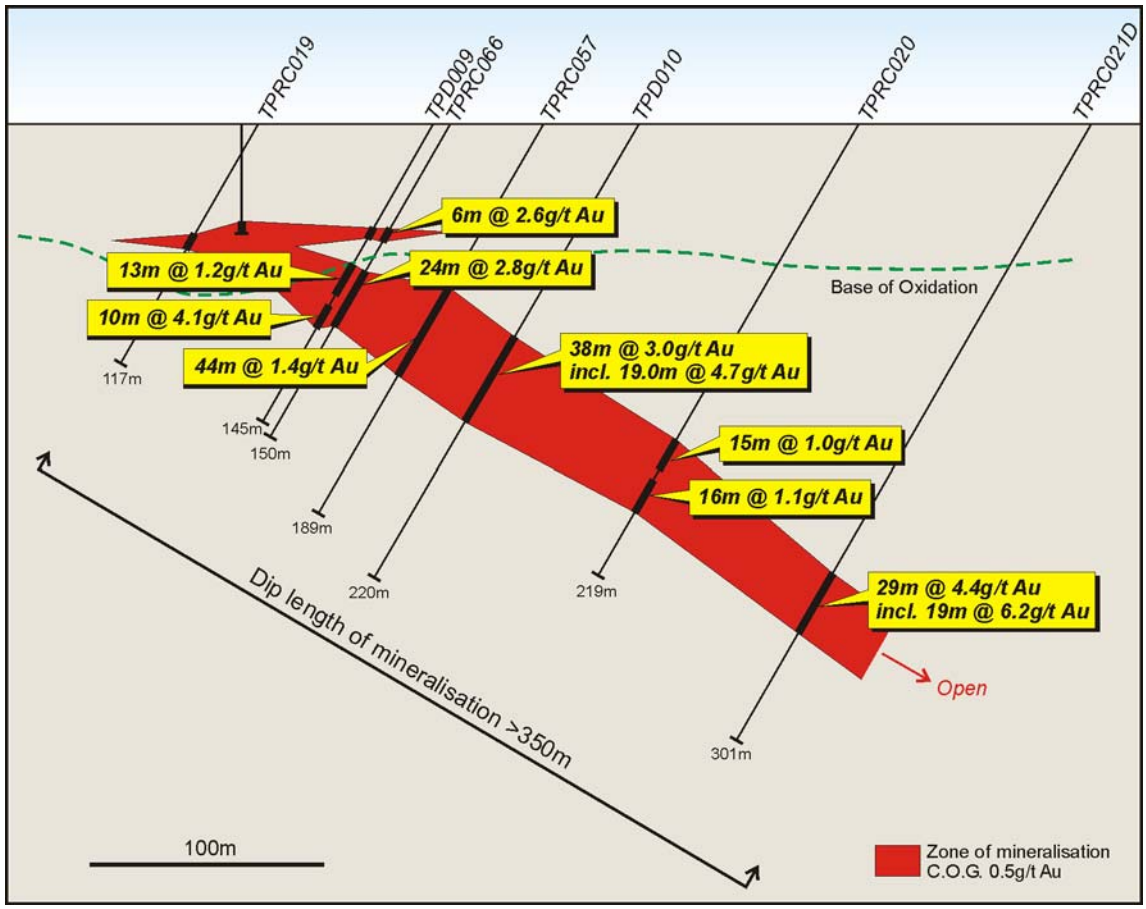


**Figure 14: Tropicana JV – Tropicana Zone TPRC030-TPRC079D Cross-Section Showing Significant Drill Hole Results**

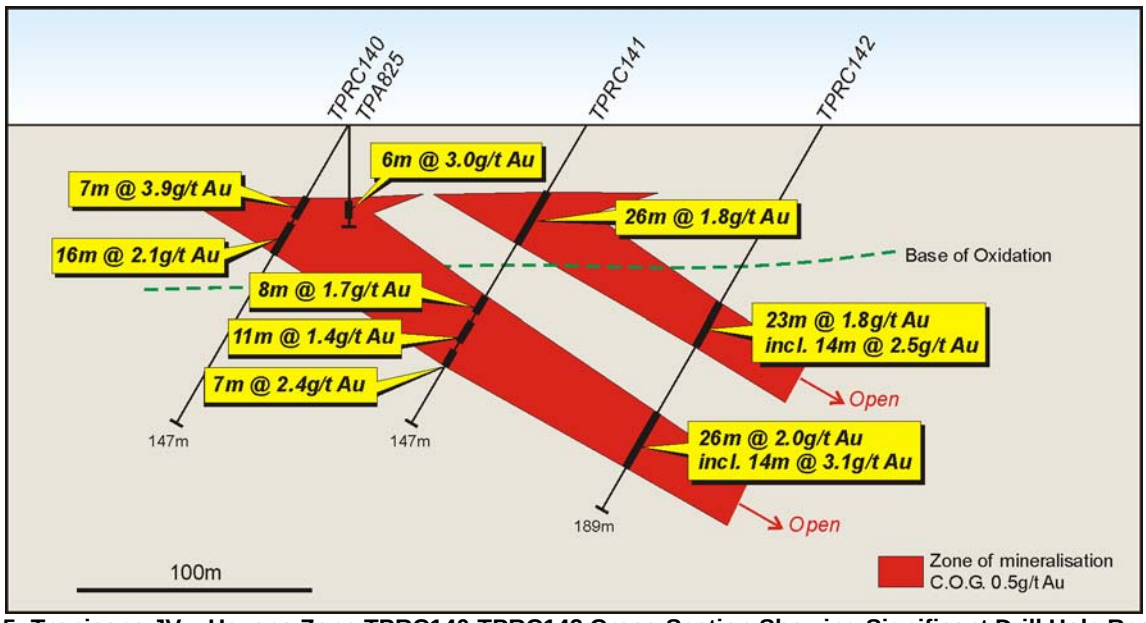


**Figure 15: Tropicana JV – Havana Zone TPRC140-TPRC142 Cross-Section Showing Significant Drill Hole Results**

### Regional Exploration

Auger sampling continued during the quarter across numerous tenements with wide (1-2km) spaced sample lines. By the end of the quarter, auger/soil sampling has been completed over approximately 52% of the JV project area. Ongoing programs aim to complete sampling on 1km or 2km spaced lines over all granted tenure by the end of 2006.

### Enlarged Project Area

Additional tenure has been applied for by the Tropicana JV partners, increasing the project area to 12,260 $km^2$.

### Proposed Programs September Quarter

RC and diamond drilling will focus on completing drilling on a 100m x 100m spacing over Havana and Tropicana.

Aircore drilling will aim to test the Ninja and Black Orchid anomalies. In addition, extensive geochemical anomalies identified in 2005 and located approximately 120km and 200km to the south-west of Tropicana are scheduled for initial aircore follow up in the second half of 2006. It is anticipated that some of this drilling will be completed during the September quarter.

## DALWALLINU (IGO 100%)

The Dalwallinu Project is situated at the southern margin of the Murchison Province of the Yilgarn Block in Western Australia between the Boddington Gold Mine (+20M oz of gold) and the Mt Gibson Gold Mine (+1M oz). The project was generated from in-house structural analysis and covers a strike length of 70km over the structure of interest. Initial road-side sampling delineated several surface gold anomalies, all of which lie within freehold farming ground and are not subject to native title **(Figure 16)**.

Previously announced drill testing of one of the anomalies, the Pithara prospect, has returned high grade intercepts including **7m @ 21.8g/t Au from 20m and 9m @ 6.3g/t Au from 19m**.

Further work on the project has been postponed until the completion of cropping activities in the areas of interest.

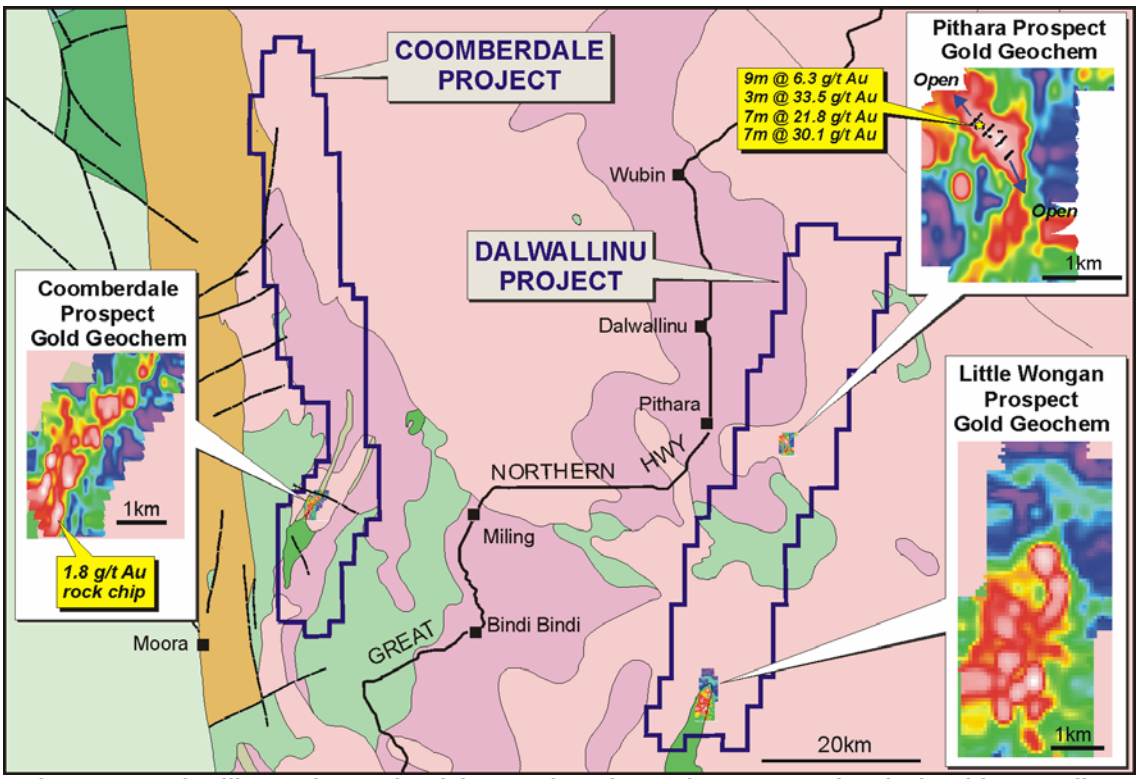


**Figure 16: Dalwallinu and Coomberdale Location Plan and Auger Geochemical Gold Anomalies**

## COOMBERDALE (IGO 100%)

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

Auger drilling has confirmed gold anomalism over an area of 2km x 1km trending NNW (max 56.1ppb Au). Mag lag follow-up has confirmed continuity of the anomaly 3km to the south of the main gold in auger anomaly. Follow-up work will commence once cropping activities in the area have been completed.

## MT PADBURY (IGO 90%)

The Mt Padbury Project is located approximately 35km south of the recently recommissioned Fortnum Gold Mine and comprises mafic and ultramafic rocks of the Naracoota Volcanics which host the mineralisation at Fortnum.

Regional 400m x 400m lag sampling and 100m infill sampling delineated five high order gold +/- arsenic anomalies, which were RAB drill tested this quarter.

Significant results were returned from the Wood Creek anomaly, which comprised gold anomalism from lag sampling up to 542ppb Au over an area of 800m x 400m and was supported by rock chip values up to 2.4g/t Au.

Shallow RAB drilling has identified multiple phase quartz veining within a highly weathered and oxidized shear/fault zone within mafic/ultramafic rocks at the contact, with a relatively fresh chlorite+/-talc schist. Intercepts include:

- **7m @ 1.8g/t Au (including 2m @ 4.9g/t Au)**
- **1m @ 5.1g/t Au**
- **5m @ 1.1g/t Au**
- **4m @ 3.8g/t Au**
- **17m @ 1.0g/t Au (including 5m @ 2.1g/t Au)**
- **4m @ 1.23g/t Au**
- **4m @ 1.5g/t Au**

These results are considered very encouraging for limited shallow first-pass RAB drilling. Follow-up RAB/AC drilling commenced on 20th July.

## 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 (**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).

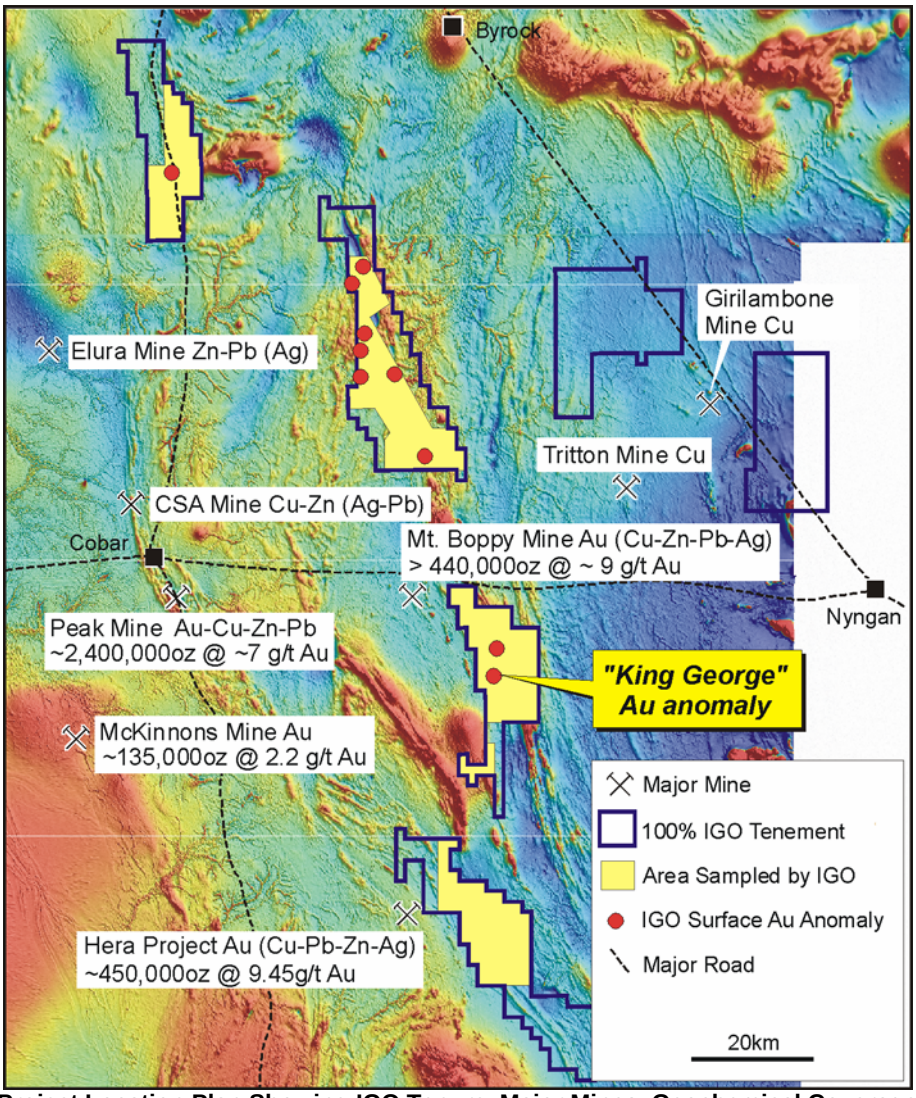


**Figure 17: Cobar Project Location Plan Showing IGO Tenure, Major Mines, Geochemical Coverage and Surface Gold Anomalies Over Aeromagnetic Image**

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

Regional soil sampling in all accessible parts of the five priority tenements has now been completed. A total of 5,800 locations have been sampled and selected infill sampling completed.

A detailed analysis of results has identified 37 gold and base metal anomalies for follow-up. Site visits to several of the higher priority anomalies have revealed wide spread siliceous alteration in sub-crop. All significant mineralisation in the Cobar district is characterised by this style of siliceous alteration.

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

# OTHER

## GOLDSWORTHY PROJECT (IGO 80%)

*Haematite Target*
As indicated last quarter IGO has been 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. 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 demagnetisiation and gravity anomaly could represent a zone 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. Drilling intersected a monotonous sequence of quartzite and quartz wacke with varying amounts of muscovite and fuchsitic mica, very fine-grained magnetite, and a trace of pyrrhotite and pyrite alteration beneath 35–50m of cover **(Figure 18)**. No banded iron formation or zones of haematitic supergene enrichment were intersected.

Three holes returned elevated copper (max 1,210ppm, background up to 100ppm), gold (34ppb, background 1-6ppb) and arsenic (37ppm, background 6-10ppm) associated with carbonate-epidote alteration within an otherwise barren quartzite. The lack of banded iron formation 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 (32,000nT), 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 banded iron formation 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 are planned to better define the magnetic anomaly prior to further drill testing in the September quarter.

## GOLDSWORTHY PROJECT ATLAS OPTION (ATLAS OPTION TO EARN 100% WITH IGO/WAR* CLAWBACK OPTION)

Please refer to the Atlas Iron Limited June 2006 quarterly report and announcement dated 27 July 2006 for details of progress and results.

Atlas Iron Limited 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. 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 1,100,000 fully paid Atlas shares (ASX Code: AGO) as consideration for granting Atlas the iron ore rights. *WAR refers to Western Australian Resources Ltd.

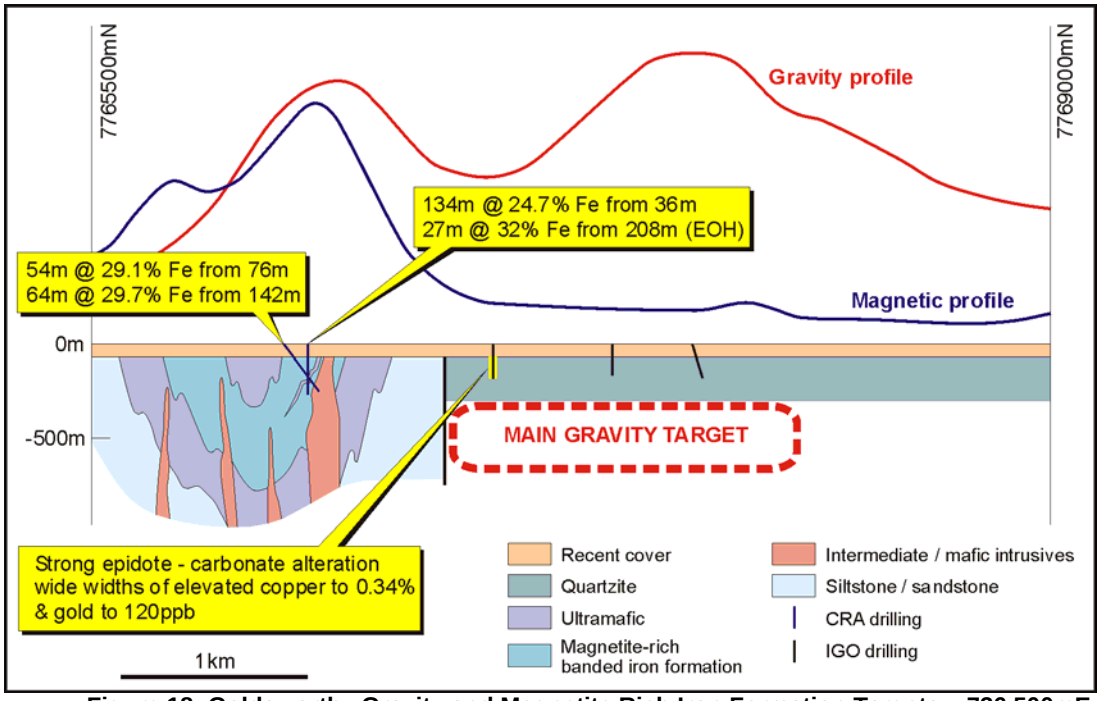


**Figure 18: Goldsworthy Gravity and Magnetite Rich Iron Formation Targets – 736,500mE Diagrammatic Solid Geological Interpretation**

## 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** — Yandal: Withdrawn from JV. Drilling failed to locate significant mineralisation

**GOLD PROJECTS** — Wackalina: Surrendered. Unable to locate possible high-grade feeder zone

## SEPTEMBER QUARTER PROGRAM

**REGIONAL NICKEL EXPLORATION**

Ravensthorpe: Drill testing targets at Mt Short, RAV4 West and Jerdacuttup. EM testing at Carlingup

Duketon: . Drill testing bedrock conductors at the Bulge. Ongoing EM over covered ultramafic

Irwin Bore/MtTate Drill testing bedrock conductors

Lefroy: Drill testing bedrock conductors

| | | |
|---|---|---|
| | Wiluna: | Data review, surface geochemistry, EM and target generation |
| | Storbudsund: | Airborne EM survey over prospective intrusion |
| **REGIONAL GOLD EXPLORATION** | Tropicana: | Diamond, RC and aircore drilling and regional surface geochemistry |
| | Cobar: | Anomaly follow-up and drill target generation |
| | Mt Padbury: | RAB/AC testing gold targets |
| **OTHER COMMODITIES** | Goldsworthy (Iron): | Infill gravity and magnetics survey. Drill test of gravity and magnetic anomalies |

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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.*

PO BOX 893
SOUTH PERTH WA 6951
**T:** (08) 9367 2755
**F:** (08) 9367 3288
**E:** contact@igo.com.au
**W:** www.igo.com.au