INDEPENDENCE GROUP NL
ABN 46 092 786 304

8th September 2006

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

NO. OF PAGES : (21)

2006 PRELIMINARY FINAL REPORT

Independence Group NL is pleased to announce a net profit after tax of $35.0 million for the year ending 30 June 2006.

As announced on 6th September, a final fully franked dividend of 7 cents per share will be paid to shareholders on 17th October 2006. The record date to determine dividend entitlements is 6th October 2006.

Attached herewith is the Preliminary Final Report for 30 June 2006.

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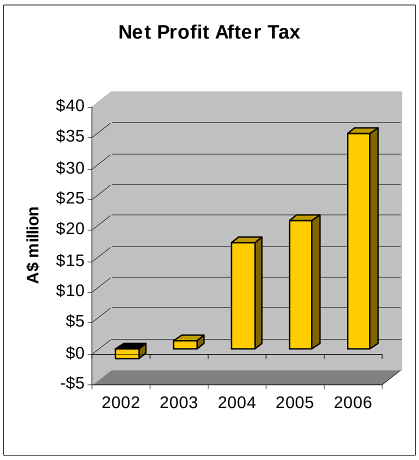
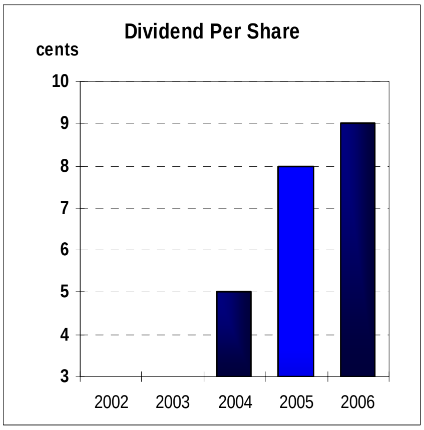
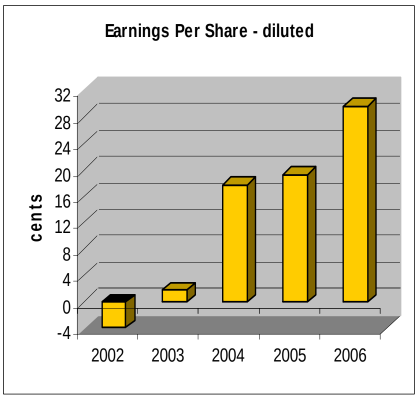




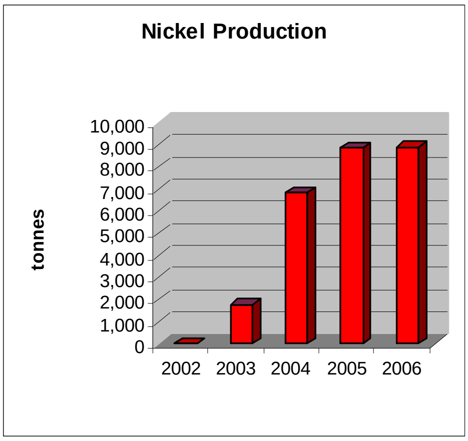
Highlights

- Record net profit after tax of $35.0 million for 2005/06, a 67% increase on the previous corresponding period (2004/05: $20.9 million).
- Net profit after tax of $25.7 million for the June half year.
- **Total revenue increased by 31% to $113.4 million.**
- **Dividends of 9 cents per share fully franked payable out of 2005/06 profits (Interim of 2 cents paid in May 2006, Final of 7 cents payable in October 2006).**
- **Strong financial position with cash and net receivables of $51.4 million (2004/05: $28.3 million) at year end.**
- **Nickel production for the year of 8,897 tonnes (2004/05: 8,868 tonnes).**
- **Strong cash flow from operations of $44.3 million (2004/05: $47.1 million) in addition to high period end level of receivables of $33.9 million (2004/05: $12.0 million).**
- **Indicated extensions to the significant** high-grade McLeay deposit at the Long nickel mine.
- Continuation of excellent gold drill results returned from the Tropicana project and discovery of the new Havana zone.



Full Year Ended June 30	2006	2005	% Change
Total revenue	$113.4m	$86.6m	31%
EBITDA	$59.7m	$39.4m	51%
Profit before tax	$50.4m	$30.6m	65%
Net profit after tax	$35.0m	$20.9m	67%
Cash flow from operating activities	$44.3m	$47.1m	-6%
Diluted earnings per share	29.7¢	19.3¢	54%
Dividend per share **	9¢	8¢	13%

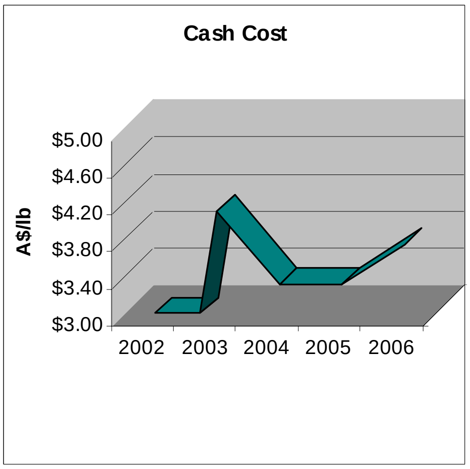
** 2 cent interim dividend paid in May 2006. 7 cent final dividend to be paid in October 2006.



Operations

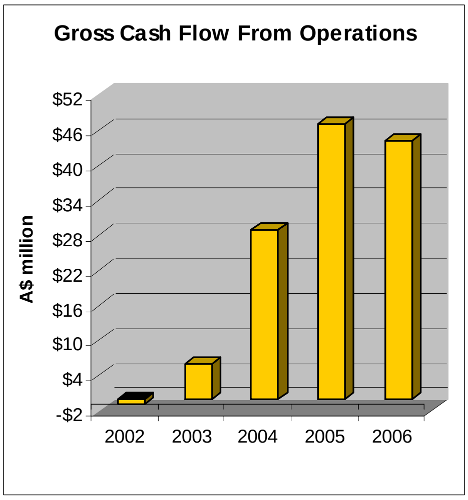
Total production for the 12 months ended June 2006 was 238,547 tonnes (2004/05: 212,655 tonnes) at an average head grade of 3.73% (2004/05: 4.17%) for 8,897 tonnes of nickel metal delivered. Steady output was maintained despite the reduction in average head grade for the year with ore primarily sourced from Long and Victor South.

Cash costs for the year per payable pound were A$3.75/lb, only 13% higher than the previous financial year (2004/05: A$3.32), despite the substantial increases in capital and operating costs experienced by the mining industry during the period.



Development of the McLeay deposit commenced during the period. The reserve expansion program is ongoing with updated reserves/resources to be announced in September/October 2006. Recent resource definition holes returned 16 metres @ 14.3% Ni at Shoot 2 and 9 metres @ 4.6% Ni at Shoot 1, neither of which are included in 30 June 2006 reserves.

Development of the Long South exploration decline reached the northern end of the Long South Target with only limited drilling to date. Results from this drilling at the Long South target intersected 2.45m @ 3.1% Ni, and together with past surface drilling (0.76m @ 10.1% Ni and 3.6m @ 3.3% Ni) indicates potential for additional nickel sulphide mineralisation. Follow-up drilling will commence after the decline has advanced another 200 metres.

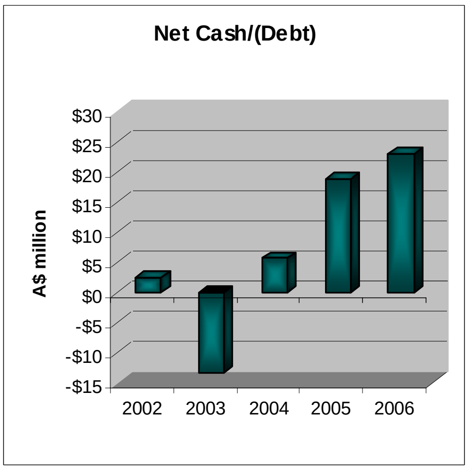


Income Statement

Total revenues for the year increased by 31% to $113.4 million (2004/05: $86.6 million). Net profit for the year of $35 million reflected increased nickel prices, completion of relatively low-priced nickel hedging (instituted against the original debt funding of the Long mine acquisition) and a focus on targeted cost reductions. EBITDA increased by 51% to $59.7 million.

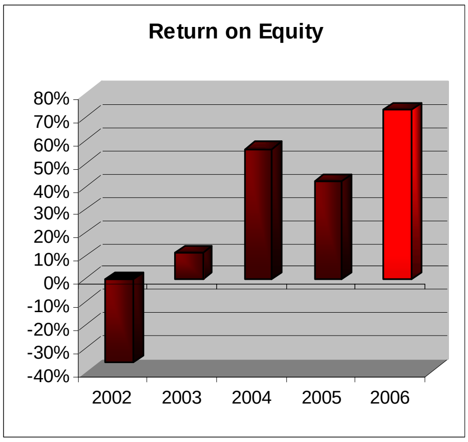
The average realised nickel price increased to A$9.61/lb in 2005/06 from A$7.41/lb in the 2005 fiscal year. Capitalised exploration costs written off during the year increased by 54% to $6.9 million.

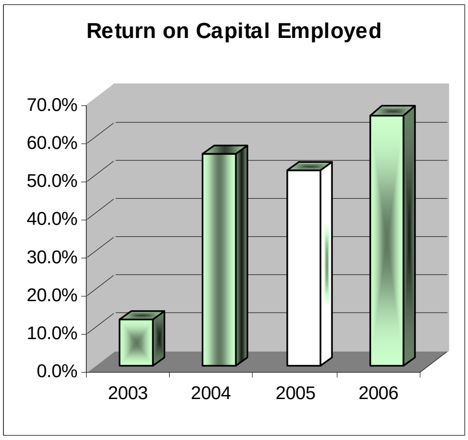
Fully diluted earnings per share increased to 29.7 cents from 19.3 cents in the previous corresponding period.

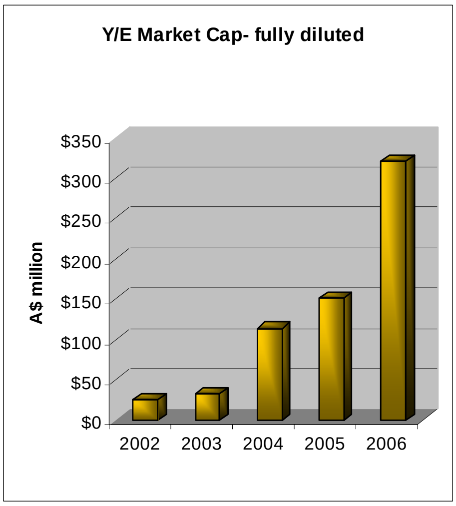


Cash Flow Statement

Strong gross cash flow generation from operating activities of $44.3 million represented a slight decrease over the previous corresponding period, due to the high level of receivables of $33.9 million (2004/05: $12.0 million) not included in cash flow for the year. From this cash flow, Independence funded dividend distributions of $7.8 million, payment of income tax of $14.2 million (2004/05: $7.6 million) and also retired $5.8 million of debt.







Balance Sheet

Cash and deposits stood at $26.1 million at 30 June, with an additional $25.3 million in net receivables, while cash and deposits exceeded total debt by $22.9 million (2004/05 $18.9 million). Bank debt was fully repaid during the year and total equipment financing debt was $3.2 million at 30 June. The decrease in net tangible assets by $1.7 million to $47.9 million as at 30 June 2006 is attributable to the marked to market value of commodity contracts of -$18.3 million being included in net assets as of 1 July 2005.

Dividend

An interim dividend of 2 cents per share fully franked was paid from 2005/06 profits in May 2006. A final dividend of 7 cents per share fully franked will be paid to shareholders on 17 October 2006. The record date for determining dividend entitlements is 6 October 2006.

Exploration

Drilling from the Long South decline will continue throughout the year with the aim of identifying new nickel deposits. Testing of the southern continuation of McLeay will continue with the aim of adding to 2006 resources and reserves.

Exploration and evaluation of the sizable Tropicana JV project area (12,260 square kilometres) of largely unexplored tenure over a strike length of 330km along the Yilgarn Craton/Fraser Range Mobile Belt collision zone continued to generate encouraging results during the year. This culminated in the discovery of the new Havana zone 1.1 kilometres south of the main Tropicana prospect.

Some of the recent high-grade gold drill results from the Tropicana prospect included intersections of 19m @ 6.3g/t and 34m @ 4.0g/t. Numerous other geochemical targets remain to be tested at the Tropicana project.

A number of other projects where early stage work has returned encouraging exploration results will also be advanced, such as Dalwallinu, Mt Padbury, Cobar and Goldsworthy.

Outlook

Independence is focused on continuing to expand the Long nickel mine reserve base and on solid operational performance. Annual production for 2006/07 is budgeted at 200,000 to 220,000 tonnes at 4.0% for production of 8,500-8,800 tonnes of nickel metal at an estimated cash cost of A$3.90/lb-A$4.10/lb.

The recent development of the McLeay deposit at Long has only generated small quantities of development ore. Ramping up to full production at McLeay is expected to contribute to the budgeted increase in head grade in 2006/07. The deposit currently remains open to the south, east and west.

AngloGold Ashanti Australia Limited has advised that the initial mineral resource estimates for the Tropicana project are expected to be available in the latter half of 2007.

INDEPENDENCE GROUP NL AND CONTROLLED ENTITIES
ABN 46 092 786 304

PRELIMINARY FINAL REPORT INFORMATION – 1 JULY 2005 TO 30 JUNE 2006

LODGED WITH THE ASX UNDER LISTING RULE 4.3A

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INDEPENDENCE GROUP NL AND CONTROLLED ENTITIES
ABN 46 092 786 304

PRELIMINARY FINAL REPORT INFORMATION – 1 JULY 2005 TO 30 JUNE 2006 LODGED WITH THE ASX UNDER LISTING RULE 4.3A

Key Information – Results for Announcement to the Market

	$'000	% Increase/(Decrease) over Previous Corresponding Period
Revenue from ordinary activities	**113,404**	**31%**
Profit from ordinary activities after tax attributable to members	**34,986**	**67%**
Net profit attributable to members	**34,986**	**67%**

The previous corresponding period is the year ended 30 June 2005.

	2006	2005
Basic earnings per share (cents)	**31.88**	**22.24**
Diluted earnings per share (cents)	**29.65**	**19.28**
Net tangible assets per share (cents)	**25.20**	**35.74**

The major factor contributing to the above increases was that spot nickel prices during the 2006 period were significantly higher than in the previous corresponding period and that more nickel was sold into spot as hedging commitments decreased over the period. The decrease in net tangible assets per share is due to the marked to market value of commodity contracts being included in net assets as of 1 July 2005.

The Company paid a fully franked interim dividend of 2 cents per share from 2005/6 profits. The Company has announced a fully franked 2005/6 final dividend of 7 cents per share will be paid on 17 October 2006. The record date for determining dividend entitlements is 6 October 2006.

The Company has a 50% interest in associated company Southstar Diamonds Limited.

The Company did not gain or lose control over any entity during the period.

The accounts are currently being audited by BDO Chartered Accountants & Advisors who have advised that the accounts are not likely to be subject to dispute or qualification. This is the first Preliminary Final Report released by the Company that is compliant with Australian Equivalents of International Financial Reporting Standards.

A summary of consolidated revenues and results for the year by significant industry segments is set out below:

	Segment revenues		Segment results	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Nickel mining	**112,583**	85,766	**56,404**	37,034
Exploration activities	**-**	-	**(6,020)**	(6,476)
Intersegment eliminations	**-**	-	**-**	-
Unallocated revenue	**821**	837	**-**	-
	113,404	86,603	**50,384**	30,558
Unallocated revenue less unallocated expenses			**-**	-
Profit from ordinary activities before income tax expense			**50,384**	30,558
Income tax expense			**(15,398)**	(9,655)
Profit from ordinary activities after income tax expense			**34,986**	20,903
Loss from extraordinary item after income tax			**-**	-
Net profit attributable to members of Independence Group NL			**34,986**	20,903

Comments on the operations and the results of those operations are set out below:

a) Nickel mining
This division consists of Lightning Nickel Pty Ltd's Kambalda operation, the Long Nickel Mine.

b) Exploration activities
Exploration expenditure is incurred throughout Australia. The exploration activities in the above segment relate to that portion of exploration expenditure incurred on projects for which the company believes no future income is likely to be generated. Expenditure on projects still in the assessment and evaluation stage are capitalised and are not included in this segment.

Profit from ordinary activities before related income tax expense increased by $19.8 million (64.9%) to $50.4 million.

The major factors contributing to the increase in profit were that spot nickel prices during the 2006 period were higher than in 2005, and less nickel was delivered into lower-priced hedge contracts which enabled more nickel to be sold at spot prices during 2006.

Rounding of amounts to nearest thousand dollars

The company is of a kind referred to in Class Order 98/01/00 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Consolidated Income Statement
For the year ended 30 June 2006

	2006	2005
	$'000	$'000
Revenue from operating activities	**112,583**	85,766
Revenue from outside the operating activities	**821**	837
Revenue from ordinary activities	**113,404**	86,603
Mining and development costs	**(16,361)**	(13,357)
Employee benefits expense	**(14,573)**	(14,688)
Share-based payment expense	**(513)**	(646)
Revaluation of listed investments	**1,236**	-
Depreciation and amortisation expenses	**(9,342)**	(8,810)
Borrowing costs expense	**(444)**	(761)
Exploration costs expensed	**(866)**	(981)
Capitalised exploration costs written off	**(6,909)**	(3,463)
Provision for mine rehabilitation	**(29)**	(114)
Ore tolling costs	**(7,992)**	(6,785)
Royalty expense	**(2,873)**	(3,244)
Other expenses from ordinary activities	**(4,354)**	(3,196)
Profit from ordinary activities before income tax expense	**50,384**	30,558
Income tax expense	**(15,398)**	(9,655)
Profit from ordinary activities after income tax expense	**34,986**	20,903
Profit from extraordinary item after related income tax expense	**-**	-
Net profit	**34,986**	20,903
	Cents	Cents
Basic earnings per share	**31.88**	22.24
Diluted earnings per share	**29.65**	19.28

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet
As at 30 June 2006

	Notes	30 June 2006 $'000	30 June 2005 $'000
Current assets			
Cash and cash equivalents		**26,130**	24,226
Trade and other receivables		**34,880**	12,203
Inventories		**296**	97
Financial assets	**4**	**2,604**	11,779
Total current assets		**63,910**	48,305
Non-current assets			
Trade and other receivables		**375**	664
Investments accounted for using the equity method		**564**	564
Financial assets	**4**	**7,663**	11,846
Property, plant and equipment		**6,773**	6,451
Exploration and development expenditure		**19,857**	16,498
Deferred tax assets		**13,079**	773
Mine acquisition and pre-production costs		**2,359**	1,424
Total non-current assets		**50,670**	38,220
Total assets		**114,580**	86,525
Current liabilities			
Trade and other payables		**10,621**	8,619
Borrowings		**1,398**	5,172
Current tax payable		**8,557**	6,647
Financial liabilities		**36,371**	11,779
Total current liabilities		**56,947**	32,217
Non-current liabilities			
Borrowings		**1,809**	117
Deferred tax liabilities		**6,470**	3,356
Provisions		**1,425**	1,196
Total non-current liabilities		**9,704**	4,669
Total liabilities		**66,651**	36,886
Net assets		**47,929**	49,639
Equity			
Parent entity interest			
Contributed equity	**5**	**23,076**	20,367
Reserves	**6**	**(18,291)**	986
Retained earnings	**6**	**43,144**	28,286
Total equity		**47,929**	49,639

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

For the year ended 30 June 2006

	2006 $'000	2005 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**89,378**	87,520
Payments to suppliers and employees (inclusive of goods and services tax)	**(45,607)**	(40,397)
	43,771	47,123
Interest received	**763**	762
Borrowing costs	**(435)**	(761)
Proceeds from investments - bonds	**490**	-
Income tax payment	**(14,235)**	(7,633)
Other income	**-**	30
Net cash inflow from operating activities	**30,354**	39,521
Cash flows from investing activities		
Payment for purchase of mine prospects	**(1,500)**	-
Payments for listed investments	**-**	(11,846)
Payments for property, plant and equipment	**(1,678)**	(2,944)
Payments for capitalised development costs	**(3,841)**	(378)
Payments for exploration and evaluation expenditure	**(10,414)**	(8,913)
Loans to associated company	**(200)**	(150)
Net cash (outflow) from investing activities	**(17,633)**	(24,231)
Cash flows from financing activities		
Proceeds from issues of shares	**2,709**	6,590
Repayment of borrowings	**(5,754)**	(7,371)
Payment of dividends	**(7,772)**	(8,653)
Proceeds from investments - bonds	**-**	-
Net cash inflow from financing activities	**(10,817)**	(9,434)
Net increase in cash held	**1,904**	5,856
Cash at the beginning of the reporting period	**24,226**	18,370
Effects of exchange rate changes on cash	**-**	-
Cash at the end of the reporting period	**26,130**	24,226

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2006

CONSOLIDATED	Issued Capital	Retained Earnings	Other Reserves	Total Equity
	$'000	$'000	$'000	$'000
At 1 July 2004	13,777	16,077	339	30,193
Net gains on cash flow hedges	-	-	-	-
Total income and expense for the period recognised directly in equity	13,777	16,077	339	30,193
Profit for the period	-	20,903	-	20,903
Total income/expense for the period	13,777	36,980	339	51,096
Exercise of options	6,165	-	-	6,165
Contributing shares payment	425	-	-	425
Cost of share-based payment	-	-	647	647
Equity dividends	-	(8,694)	-	(8,694)
At 30 June 2005	20,367	28,286	986	49,639
At 1 July 2005	20,367	28,286	986	49,639
Adjustment on adoption of AASB 132 and AASB 139, net of tax	-	(12,356)	(5,816)	(18,172)
Loss on cashflow hedges	-	-	(13,974)	(13,974)
Total income and expense for the period recognised directly in equity	20,367	15,930	(18,804)	17,493
Profit for the period	-	34,986	-	34,986
Total income/expense for the period	20,367	50,916	(18,804)	52,479
Cost of share-based payment	-	-	513	513
Exercise of options	2,395	-	-	2,395
Contributing shares payment	314	-	-	314
Equity dividends	-	(7,772)	-	(7,772)
At 30 June 2006	23,076	43,144	(18,291)	47,929

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Note 1. Basis of preparation of preliminary final financial report

These preliminary final consolidated financial statements for the year ended 30 June 2006 have been prepared in accordance with Australian Equivalents to International Financial Reporting Standards ("AIFRS"), other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. All comparative balances have been restated accordingly to comply with AIFRS.

This preliminary final financial report does not include all the notes of the type normally included in the final annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') and any public announcements made by Independence Group NL during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

(a) Basis of accounting
The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on a historical cost basis, except for derivative financial instruments and financial assets that have been measured at fair value.

(b) Statement of compliance
The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). These financial statements have been prepared using AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards.*

This is the first preliminary final financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Company under AIFRS are disclosed in Note 1(c) below, where those policies vary from those applying under AGAAP.

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

to the balances reported in the 30 June 2005 annual financial report prepared under AGAAP are detailed in Note 1(e) below.

(c) Summary of changes to significant accounting policies

(i) Property Plant & equipment

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

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

If any such impairment indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Note 1. Basis of preparation of preliminary final financial report (continued)

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

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

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

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

(ii) Intangible assets

Intangible assets acquired are capitalised at cost as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the ‘administrative expenses’ line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Note 1. Basis of preparation of preliminary final financial report (continued)

(iii) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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

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

(iv) Investments

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

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

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

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

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are de-recognised or impaired, as well as through the amortisation process.

Fair value is calculated based on the expected cash flows of the underlying net asset base of the investment.

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

Note 1. Basis of preparation of preliminary final financial report (continued)

(v) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

(vi) Share-based payment transactions

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’).

There are currently two plans in place to provide these benefits:
(i) the Employee Share Option Plan (ESOP), which provides benefits to executive directors and other employees, and
(ii) the Non-executive Directors’ Share Option Plan (NDSOP), which provides benefits to non-executive directors.

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

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

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

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Note 1. Basis of preparation of preliminary final financial report (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(vii) Income tax

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

(viii) Derivative financial instruments

The Company uses derivative financial instruments such as foreign currency contracts and commodity contracts to hedge its risks associated with nickel price and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of commodity contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges (forward foreign currency contracts and nickel commodity contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

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

Note 1. Basis of preparation of preliminary final financial report (continued)

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

(d) AASB 1 Transitional exemptions

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

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

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139
The Company elected to adopt this exemption and has applied AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 139 *Financial Instruments: Recognition and Measurement* to its financial instruments from 1 July 2005.

(e) Impact of adoption of IFRS

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

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	CONSOLIDATED	
	30-Jun-05	*01-Jul-04*
	$'000	*$'000*
Total equity under AGAAP	50,188	30,838
Adjustments to equity:		
Recognition of restoration expense (A)	(784)	(885)
Tax effect of the above adjustments (B)	235	264
Total equity under AIFRS	49,639	30,217

(A) Under AGAAP, the consolidated entity provided for the future cost of rehabilitating and closing its mine operations based on charging to costs of production on a gradual basis over the life of the economically recoverable resources. Under AIFRS a provision is required to be brought to account as soon as there is a probable outflow of resources that can be measured reliably. The provision for restoration is based on the discounted cash flow of the expected future cost, discounted at 10%. The effect of this adjustment for the consolidated entity was a decrease in retained earnings for the year ended 30 June 2005. The provision for restoration calculated under AGAAP was reversed, resulting in an increase in retained earnings for the year ended 30 June 2005.

Note 1. Basis of preparation of preliminary final financial report (continued)

(B) The tax effect of the adjustments above led to an increase in deferred tax assets. The total change in deferred tax assets is as follows:

	CONSOLIDATED	
	30-Jun-05	*01-Jul-04*
	$'000	*$'000*
Increase in deferred tax assets	235	264

(C) The company elected to apply the exemption provided in AASB 132 and AASB 139 which means that the investment in Matrix Metals Limited was not required to be re-stated under AIFRS as at 30 June 2005. The investment has been valued under AIFRS as at 1 July 2005.

(D) The company elected to apply the exemption provided in AASB 132 and AASB 139 which means that only the fair value of forward exchange contracts was reflected in the 30 June 2005 balance sheet. The fair value of forward exchange contracts under AGAAP was reflected in the balance sheet as an asset and a corresponding liability. Under AIFRS the marked to market value is reflected as at 1 July 2005 as an asset and a credit reserve in equity. The marked to market value of nickel commodity contracts has been reflected as a liability and a debit reserve in equity as at 1 July 2005 as required under AIFRS.

(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

	CONSOLIDATED
	Year ended
	30-Jun-05
	$'000
Profit after tax as previously reported	21,454
Recognition of restoration expense (A)	95
Recognition of share-based payment expense (B)	(646)
Tax effect of the above adjustments	-
Profit after tax under AIFRS	20,903

(A) Under AGAAP, the consolidated entity provided for the future cost of rehabilitating and closing its mine operations based on charging to costs of production on a gradual basis over the life of the economically recoverable resources. Under AIFRS a provision is required to be brought to account as soon as there is a probable outflow of resources that can be measured reliably.

(B) Share-based payment costs are charged to the income statement under AASB 2 *Share-based Payment*, but were not under AGAAP.

(iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

Note 2. Segment information

Primary reporting – business segments

Year 2006	Nickel mining $'000	Exploration activities $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Total segment revenue	112,583	-	-	112,583
Unallocated revenue				821
Revenue from ordinary activities				113,404
Segment result	56,404	(6,020)	-	50,384
Unallocated revenue less unallocated expenses				-
Profit from ordinary activities before income tax expense				50,384

Year 2005	Nickel mining $'000	Exploration activities $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Total segment revenue	85,766	-	-	85,766
Unallocated revenue				837
Revenue from ordinary activities				86,603
Segment result	37,034	(6,476)	-	30,558
Unallocated revenue less unallocated expenses				-
Profit from ordinary activities before income tax expense				30,558

Note 3. Revenue

	2006 $'000	2005 $'000
Revenue from operating activities		
Sale of goods	**112,583**	85,766
Revenue from outside operating activities		
Interest	**763**	807
Other revenue	**58**	30
	821	837
Revenue from ordinary activities	**113,404**	86,603

Note 4. Financial assets

	2006 $'000	2005 $'000
Current		
Foreign exchange gain	**2,604**	11,779
Non-current		
Investment in listed entities at market value	**7,663**	11,846

Note 5. Contributed equity

Issues of ordinary shares during the year	2006 No. of Shares '000	2005 No. of Shares '000	2006 $'000	2005 $'000
Exercise of options issued under the Independence Group NL Employee Option Plan	**576**	1,250	**621**	434
Contributing shares paid up at 10 cents each	**3,110**	4,200	**314**	425
Listed options converted at 20 cents each	**-**	24,546	**-**	5,155
Directors options converted at $1.03 each	**1,125**	-	**1,159**	-
Directors options converted at $1.33 each	**375**	-	**499**	-
Unlisted options converted at 45 cents each	**-**	1,750	**-**	788
Unlisted options converted at $1.16 each	**102**	-	**119**	-
Issued and paid up capital				
Fully paid ordinary shares	**112,271**	106,983	**22,999**	20,287
Partly paid contributing shares	**-**	3,110	**-**	3
Partly paid unlisted options	**750**	750	**77**	77
			23,076	20,367

Note 6. Other Information

	2006 $'000	2005 $'000
(a) Reconciliation of retained earnings		
Balance at the beginning of the year	**28,286**	16,077
Effect of AASB 132 on retained profits 1 July 2005	**(12,356)**	-
Net profit attributable to members of Independence Group NL	**34,986**	20,903
Total available for appropriation	**50,916**	36,980
Dividends paid during the year	**(7,772)**	(8,694)
Balance at the end of the year	**43,144**	28,286
(b) Dividends paid		
Dividends paid during the year (fully franked)	**7,772**	8,694
(c) Reserves		
Share-based payment reserve	**1,499**	986
Hedge reserve	**(19,790)**	-
	(18,291)	986

Note 7. Subsequent events

On 6 September 2006 the company announced a final 2005/6 dividend of 7 cents per share. The dividend will be fully franked and is payable on 17 October 2006. The record date for determining dividend entitlements is 6 October 2006.

Orders were placed for new mining equipment valued at $1,379,218 which will be paid for prior to December 2006.