INDEPENDENCE GROUP NL
ABN 46 092 786 304

9th March 2006

Australian Stock Exchange Limited
Company Announcements NO. OF PAGES : (24)
Level 10, 20 Bond Street
SYDNEY NSW 2000

HALF YEARLY REPORT – DECEMBER 2005

The directors of Independence Group NL are pleased to provide the financial results for the half year ending 31 December 2005.

CHRISTOPHER BONWICK
Managing Director

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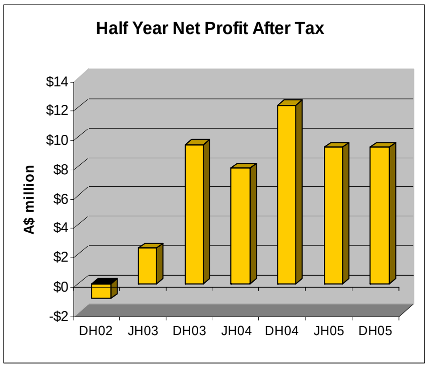
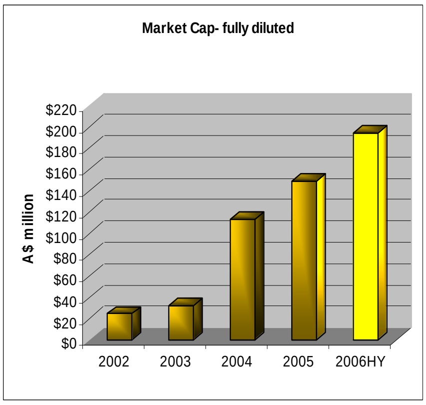
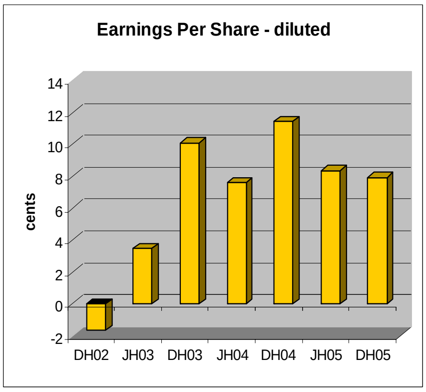




Highlights

- **Net profit after tax of $9.3 million for the half year (DH'04: $12.2m).**
- **Solid financial position with cash and net receivables of $22 million (DH'04: $24 million) after significant expenditures on drill-out and development of the McLeay orebody, Long South decline development and acceleration of regional exploration.**
- **Development planned to intersect McLeay Shoots 1 and 2 by mid-March with first production from Shoot 1 budgeted for December 2006.**
- **Hedge accounting IFRS compliant – no effect on profits.**
- **Nickel production for the half year of 4,593 tonnes (DH'04: 4,705 tonnes) at a cash cost of A$3.47/lb (DH'04: A$3.09/lb).**
- **Contained nickel in reserves/resources increased to 55,290t (pcp: 49,370t) and 93,800t (pcp: 83,200t) respectively, mainly attributable to the high grade McLeay deposit.**
- **Follow up high grade gold drill results returned from the Tropicana JV including 32m @ 6.6g/t and 9m @ 6.3g/t.**
- **Virgin gold discovery at Dalwallinu with drill intersections including 7m @ 21.8g/t; 7m @ 30.1g/t and 9m @ 6.3g/t.**



Half Year Ended Dec 31	2005	2004	% Change
Total revenue	$43.2m	$45.3m	-5%
EBITDA	$17.9m	$22.4m	-20%
Profit before tax	$13.2m	$17.9m	-26%
Net profit after tax	$9.3m	$12.2m	-24%
Cash flow from operating activities (before tax payments)	$13.0m	$21.0m	-38%
Diluted earnings per share	7.9¢	11.5¢	-31%
Dividend per share	*5c	5¢	0%

** Interim dividend not included - to be announced March/April 2006*

Chris Bonwick
Managing Director

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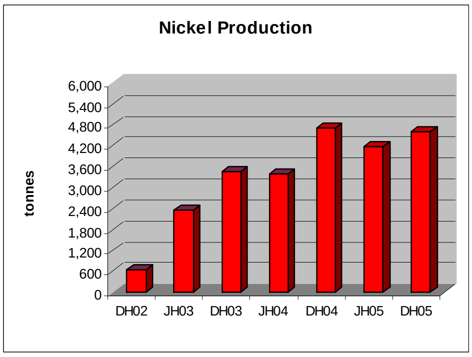
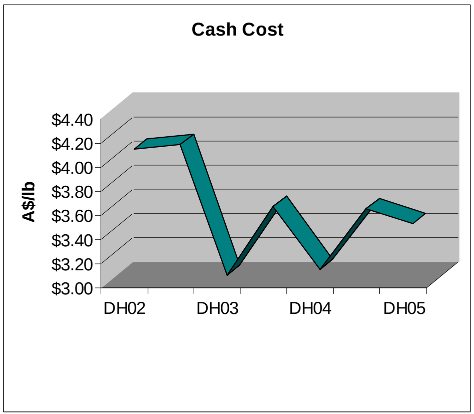
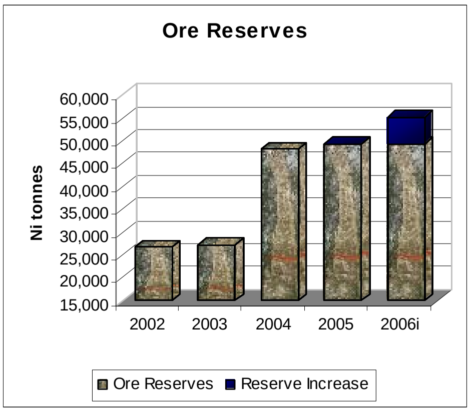
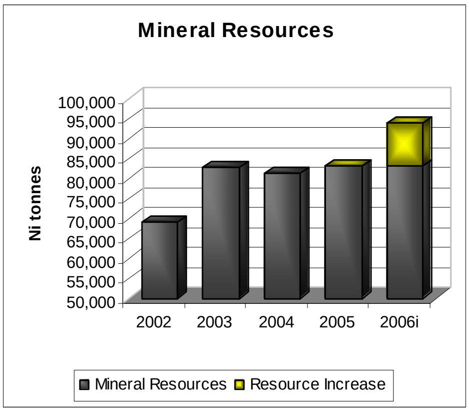








Operations

Production

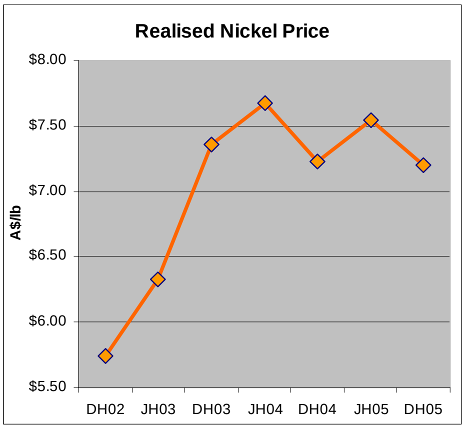
Total production for the 6 months ended December 2005 was 114,339 tonnes ore (DH'04: 114,012 tonnes) at an average grade of 4.02% Ni (DH'04: 4.13%) for 4,593 tonnes of nickel metal delivered. A total of 1,576 nickel metal tonnes were mined outside or in excess of existing ore reserves, representing 34% of production for the period. The wind-down of mining at the high-grade Gibb South ore body contributed to the marginally lower overall grade mined and also contributed to a 2.4% decrease in overall production. The continued implementation of cost-saving initiatives assisted in containing cash costs during the half year. Cash costs for the period were held at A$3.47/lb, an increase of 12% on the previous corresponding half, resulting in part from a slightly lower head grade and a general rise in operating costs for the industry.

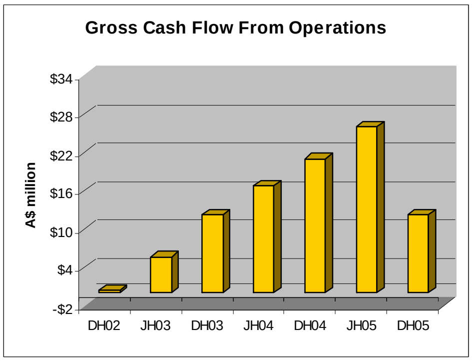
Ore Reserves/Mineral Resources

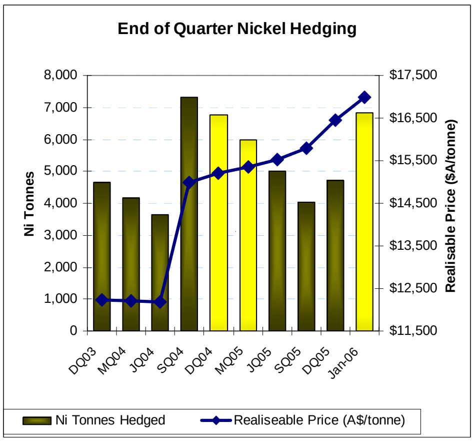
The ongoing program initiated in the March 2004 quarter to increase reserves at the Long nickel mine resulted in a substantial interim upgrade in ore reserves from 49,370 tonnes to 55,290 tonnes of contained nickel. Mineral resources were increased from 83,200 tonnes to 93,800 tonnes of contained nickel. The main contributor to these upgrades was the McLeay deposit, which is still open to the north, south and east. The Company has budgeted approximately $6 million on exploration decline development, geophysical surveys and drilling in 2005/6, with the aim of substantially increasing resources and reserves at the Long Nickel Mine. This reserve expansion program is ongoing with the next updated reserves/resources expected to be announced in October 2006.

Exploration

Regional exploration activities were accelerated in the December half resulting from the grant of additional tenements and success of initial exploration programs. Follow-up drilling by the Tropicana JV manager AngloGold Ashanti Limited returned a number of encouraging results. The strike length of the Tropicana gold prospect has been defined at 1.1km, open to the southwest and potentially 100 metres to the northeast, with recent holes returning 32m @ 6.6g/t; 9m @ 6.3g/t and 24m @ 2.8g/t Au. A virgin gold discovery at Dalwallinu (100%-owned) announced during the December quarter returned high grade drill results including 7m @ 21.8g/t; 9m @ 6.3g/t and 6m @ 4.9g/t Au. Drilling between the Long nickel mine and the Long South target intersected a very encouraging drill intersection of 4.8m @ 2.23% Ni, 250m south of Long. Follow-up drilling beneath the Long South target (3.6m @ 3.3% Ni) will commence in March 2006.







Financials

Total revenues for the half year decreased by 5% to $43.2 million (DH'04: $45.3 million). Net profit for the half year of $9.3 million fell by 24% over the previous corresponding period due to the fall in nickel prices achieved (approximately A$1,065/tonne lower for unhedged metal) and an increase in cash costs to A$3.47/lb (DH'04: A$3.09/lb). The rise in cash costs was partially attributable to the ramp-up of mining of the Victor South deposit and also a result of the increase in manning and supply costs which are being experienced by the mining industry. Cash costs per pound were below budget for the period. Capitalised exploration costs written off for the period increased by 36% to $1.7 million (DH'04 $1.2 million). Fully diluted earnings per share decreased to 7.9 cents from 11.5 cents in the previous corresponding period.

Gross cash flow generation from operating activities of $12.3 million represented a 41% decrease over the previous corresponding period, which was mainly attributable to the movement in receivables and higher income tax payments. Cash and deposits totalled $9.7 million at 31 December, with an additional $12.2 million in net receivables. During the December half, Independence funded:

- dividend distributions of $5.5 million (DH'04: $5.4 million),
- payment of income tax of $8.6 million (DH'04: $4.6 million),
- exploration and development of $8.0 million (DH'04: $4.7 million),
- debt repayments of $3.6 million,

and the cash outlay of $1.5 million for the purchase of the Location 48 sub-lease and surrounds, through existing cash reserves and operating cash flow.

Some of the tax outlay during the half related to tax payable for the 2005 financial year. Exploration and development expenditure included expenditure of $2.9 million for the development of the Long South exploration decline and considerable expenditure for the drill-out and decline development of the McLeay orebody.

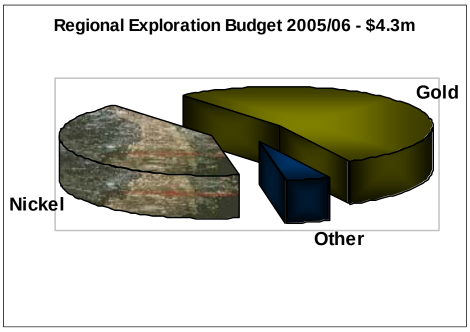
The company's lower value nickel hedging will be completed in April 2006, after which the company will deliver into hedges of 150t per month at an average price of A$17,167 (May/June 2006), A$17,335 (2006/7), A$17,060 (2007/8) and A$18,151 (2008/9) respectively.

Dividend

An interim dividend has not yet been determined by the Board. The amount and timing of the dividend will be announced in March/April 2006.

Corporate

Mr Oscar Aamodt was appointed as a non-executive director during the period. Mr Aamodt has extensive experience in the administration, management and directorship of a number of listed Australian and overseas mining and exploration companies.



Outlook

Independence is focused on continuing to expand the Long nickel mine reserve base, maintaining solid operational performance and continuation and follow up of its regional exploration successes.

Annual production for 2005/6 is budgeted at 240,000 tonnes at 3.5% to 4.0% Ni for production of 8,500-9,500 tonnes of nickel metal, at an estimated cash cost of A$3.50/lb-A$4.00/lb.

Decline development is progressing in order to establish access to the McLeay deposit at Long and is expected to be completed in December 2006. The deposit currently remains open to the north, south and east.

Drilling from the Long South decline between the Long nickel mine and the Long South target will continue throughout the June half with the aim of following up previous encouraging drill intersections and identifying additional nickel deposits.

Exploration and evaluation of the sizable Tropicana Joint Venture project area (7,500 square kilometres) is progressing with the recent commencement of a drill program to follow up previous encouraging results including the more recent high grade gold intersections.

Follow up drilling has recently commenced at Dalwallinu to progress this new and exciting gold discovery. A number of other projects where early stage work has returned encouraging exploration results will also be progressed, such as at Ravensthorpe (nickel), Goldsworthy (iron ore), Lake Lefroy (nickel), Duketon (nickel), and Mt Padbury (gold).

INDEPENDENCE GROUP NL AND CONTROLLED ENTITIES
ABN 46 092 786 304

HALF-YEAR INFORMATION – 1 JULY 2005 TO 31 DECEMBER 2005

LODGED WITH THE ASX UNDER LISTING RULE 4.2A

CONTENTS **PAGE**

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 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.

INDEPENDENCE GROUP NL AND CONTROLLED ENTITIES
ABN 46 092 786 304

HALF-YEAR INFORMATION – 1 JULY 2005 TO 31 DECEMBER 2005
LODGED WITH THE ASX UNDER LISTING RULE 4.2A

Key Information – Results for Announcement to the Market

	$'000	% Increase/(Decrease) over Previous Corresponding Period
Revenue from ordinary activities	**43,185**	**(5%)**
Profit from ordinary activities after tax attributable to members	**9,292**	**(24%)**
Net profit attributable to members	**9,292**	**(24%)**

The previous corresponding period is the half-year ended 31 December 2004.

	2005	2004
Basic earnings per share (cents)	**8.57**	**14.86**
Diluted earnings per share (cents)	**7.93**	**11.45**
Net tangible assets per share (cents)	**27.52**	**28.60**

The major factors contributing to the above variances are as follows:-

- **2005 half year results reflect a decrease in production at the Long Nickel Mine. Production was 4,268 recovered nickel tonnes (2004 half year 4,370 recovered nickel tonnes).**

- **Spot nickel prices during the 2005 period were significantly lower (approximately A$1,065/tonne) than in the previous corresponding period, resulting in lower revenue per tonne of nickel produced.**

- **An industry-wide increase in manning and supply costs has resulted in increased cash costs for the 2005 half year when compared to the 2004 half year.**

The Company paid a fully franked dividend of 5 cents per share in October 2005. The Company has not yet announced an interim dividend.

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 have been subject to review by BDO Chartered Accountants & Advisors and the accounts are not subject to dispute or qualification.

Your directors present their report on the consolidated entity consisting of Independence Group NL and the entities it controlled at the end of, or during, the half-year ended 31 December 2005.

Directors

The following persons were directors of Independence Group NL during the whole of the half-year and up to the date of this report unless otherwise noted:

R J Marston (Chairman)
C M Bonwick (Managing Director)
K A Ross
J A Christie
O Aamodt (appointed 3 August 2005)

Review of Operations

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

	Segment revenues		Segment results	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Nickel mining	**42,674**	44,906	**16,899**	22,276
Exploration activities	**-**	-	**(2,213)**	(3,276)
Intersegment eliminations	**-**	-	**-**	-
Unallocated revenue	**511**	377	**-**	-
	43,185	45,283	**14,686**	19,000
Unallocated revenue less unallocated expenses			**(1,438)**	(1,137)
Profit from ordinary activities before income tax expense			**13,248**	17,863
Income tax expense			**(3,956)**	(5,710)
Profit from ordinary activities after income tax expense			**9,292**	12,153
Loss from extraordinary item after income tax			**-**	-
Net profit attributable to members of Independence Group NL			**9,292**	12,153

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 decreased by $4.6 million (25.8%) to $13.2 million.

The major factors contributing to this decrease are as follows:-

- Spot nickel prices during the 2005 period were lower than in 2004 by approximately A$1,065/tonne which resulted in lower revenue per tonne of nickel produced.
- An industry-wide increase in manning and supply costs resulted in higher cash costs.

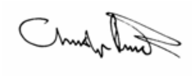
Auditor independence declaration

The Auditor's Independence Declaration on page 5 forms part of the Director's Report for the half-year ended 31 December 2005.

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.

This report is made in accordance with a resolution of the directors.



C M Bonwick
Director

Perth
8 March 2006

BDO

Chartered Accountants
& Advisers

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8 March 2006

The Directors
Independence Group NL
PO Box 893
SOUTH PERTH WA 6951

Dear Sirs

DECLARATION OF INDEPENDENCE BY BDO TO THE DIRECTORS OF INDEPENDENCE GROUP NL

To the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act in relation to the review; and

- any applicable code of professional conduct in relation to the review.

Yours faithfully
BDO
Chartered Accountants

BG McVeigh
Partner

Condensed Income Statement
For the half-year ended 31 December 2005

	Half Year 2005 $'000	2004 $'000
Revenue from operating activities	**42,674**	44,906
Revenue from outside the operating activities	**511**	377
Revenue from ordinary activities	**43,185**	45,283
Raw materials and consumables used	**(7,511)**	(6,051)
Employee benefits expense	**(8,358)**	(5,669)
Share-based payment expense	**(242)**	(323)
Impairment of investment in listed entities	**(189)**	-
Depreciation and amortisation expenses	**(4,961)**	(4,438)
Borrowing costs expense	**(236)**	(439)
Exploration costs expensed	**(641)**	(550)
Capitalised exploration costs written off	**(1,661)**	(1,226)
Provision for mine rehabilitation	**(29)**	(157)
Ore tolling costs	**(3,837)**	(3,594)
Royalty expense	**(1,193)**	(1,589)
Other expenses from ordinary activities	**(1,079)**	(3,384)
Profit from ordinary activities before income tax expense	**13,248**	17,863
Income tax expense	**(3,956)**	(5,710)
Net profit	**9,292**	12,153
	Cents	Cents
Basic earnings per share	**8.57**	14.86
Diluted earnings per share	**7.93**	11.45

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

Condensed Balance Sheet
As at 31 December 2005

	Notes	31 December 2005 $'000	30 June 2005 $'000
Current assets			
Cash assets		**9,733**	24,226
Receivables		**20,681**	11,992
Inventories		**175**	97
Other financial assets		**3,323**	-
Other		**676**	11,990
Total current assets		**34,588**	48,305
Non-current assets			
Receivables		**275**	664
Investments accounted for using the equity method		**564**	564
Other financial assets	**5**	**6,008**	11,846
Property, plant and equipment		**7,565**	6,451
Exploration and development expenditure		**20,850**	16,498
Tax assets		**4,780**	773
Mine acquisition and pre-production costs		**2,617**	1,424
Total non-current assets		**42,659**	38,220
Total assets		**77,247**	86,525
Current liabilities			
Payables		**8,792**	7,900
Interest bearing liabilities		**2,825**	5,172
Tax liabilities		**1,560**	6,647
Other financial liabilities		**12,506**	11,779
Other		**928**	719
Total current liabilities		**26,611**	32,217
Non-current liabilities			
Interest bearing liabilities		**1,547**	117
Tax liabilities		**5,076**	3,356
Other		**1,490**	1,196
Total non-current liabilities		**8,113**	4,669
Total liabilities		**34,724**	36,886
Net assets		**42,523**	49,639
Equity			
Parent entity interest			
Contributed equity		**21,341**	20,367
Reserves		**(5,201)**	986
Retained profits	**5**	**26,383**	28,286
Total equity		**42,523**	49,639

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

	Half Year 2005 ‘000	2004 $‘000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**34,307**	40,134
Payments to suppliers and employees (inclusive of goods and services tax)	**(21,998)**	(19,098)
	12,309	21,036
Interest received	**484**	366
Borrowing costs	**(236)**	(439)
Income tax payment	**(8,575)**	(4,586)
Other income	**419**	-
Net cash inflow from operating activities	**4,401**	16,377
Cash flows from investing activities		
Payment for purchase of mine properties	**(1,500)**	-
Payments for listed investments	**-**	(11,846)
Payments for property, plant and equipment	**(1,376)**	(2,646)
Payments for exploration and development expenditure	**(8,003)**	(4,707)
Proceeds – sale of property, plant and equipment	**-**	4
Loans to associated company	**(125)**	(50)
Net cash (outflow) from investing activities	**(11,004)**	(19,245)
Cash flows from financing activities		
Proceeds from issues of shares	**974**	6,038
Repayment of borrowings	**(3,333)**	(3,727)
Payment of dividends	**(5,531)**	(5,391)
Net cash inflow from financing activities	**(7,890)**	(3,080)
Net (decrease) in cash held	**(14,493)**	(5,948)
Cash at the beginning of the reporting period	**24,226**	18,370
Cash at the end of the reporting period	**9,733**	12,422

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

CONSOLIDATED	Issued Capital	Retained Earnings	Other Reserves	Total Equity
	$'000	$'000	$'000	$'000
At 1 July 2004	13,777	16,101	339	30,217
Net (losses) on cash flow hedges	-	-	-	-
Total income and expense for the period recognised directly in equity	13,777	16,101	339	30,217
Profit for the period	-	12,153	-	12,153
Total income/expense for the period	13,777	28,254	339	42,370
Exercise of options	5,718	-	-	5,718
Contributing shares payment	320	-	-	320
Cost of share-based payment	-	-	323	323
Equity dividends	-	(5,391)	-	(5,391)
At 31 December 2004	19,815	22,863	662	43,340
At 1 July 2005	20,367	28,286	986	49,639
Adjustment on adoption of AASB 132 and AASB 139, net of tax:				
Reserves	-	-	(10,500)	(10,500)
Retained earnings	-	(5,664)	-	(5,664)
Gains on cash flow hedges	-	-	4,071	4,071
Cost of share-based payment	-	-	242	242
Total income and expense for the period recognised directly in equity	20,367	22,622	(5,201)	37,788
Profit for the period	-	9,292	-	9,292
Total income/expense for the period	20,367	31,914	(5,201)	47,080
Exercise of options	812	-	-	812
Contributing shares payment	162	-	-	162
Equity dividends	-	(5,531)	-	(5,531)
At 31 December 2005	21,341	26,383	(5,201)	42,523

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

Note 1. Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2005 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an 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 half-year 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 including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

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

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance
The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-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, 31 December 2004, 30 June 2005 and 1 July 2005; and
- AIFRS profit for the half-year 31 December 2004 and full year 30 June 2005,

to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year 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.

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.

(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.

(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.

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.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

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.

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

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

		CONSOLIDATED	
	30-Jun-05	*31-Dec-04*	*01-Jul-04*
	$'000	*$'000*	*$'000*
Total equity under AGAAP	50,188	44,004	30,838
Adjustments to equity:			
Recognition of restoration expense (A)	(784)	(949)	(885)
Tax effect of the above adjustments (B)	235	285	264
Investment in listed entities (C)	-	-	-
Cash flow hedges reserve (D)	-	-	-
Total equity under AIFRS	49,639	43,340	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 is a decrease in retained earnings. The provision for restoration calculated under AGAAP is reversed, resulting in an increase in retained earnings.

(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	*31-Dec-04*	*01-Jul-04*
	$'000	*$'000*	*$'000*
Increase in deferred tax assets	235	285	264

(C) The Company elected to apply the exemption provided in AASB 132 and AASB 139 (see note 1(d)) which means that the investment in Matrix Metals Limited was not required to be restated under AIFRS as at 30 June 2005. The investment has been valued under AIFRS as at 1 July 2005 which has resulted in a $5,664 thousand decrease in retained profits as at 1 July 2005. After 1 July 2005, movements in the fair value of the investment are recorded through the income statement.

(D) The Company elected to apply the exemption provided in AASB 132 and AASB 139 (see note 1(d)) 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 of $10,477 thousand is reflected as at 1 July 2005 as an asset and a corresponding credit reserve in equity.

The marked to market value of nickel commodity contracts which was not accounted for under AGAAP has been reflected as at 1 July 2005 as required under AIFRS which has resulted in a $25,478 thousand debit reserve in equity as at 1 July 2005.

The Company complies with the hedge accounting provisions of AASB 139 *Financial Instruments: Recognition and Measurement.*

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

	CONSOLIDATED	
	Year ended	*Half-year ended*
	30-Jun-05	*31-Dec-04*
	$'000	*$'000*
Profit after tax as previously reported under AGAAP	21,454	12,519
Recognition of restoration expense (A)	94	(43)
Recognition of share-based payment expense (B)	(646)	(323)
Tax effect of the above adjustments	-	-
Profit after tax under AIFRS	20,902	12,153

(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

Half-year 2005	Nickel mining $'000	Exploration activities $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Total segment revenue	42,674	-	-	42,674
Unallocated revenue				511
Revenue from ordinary activities				43,185
Segment result	16,899	(2,213)	-	14,686
Unallocated revenue less unallocated expenses				(1,438)
Profit from ordinary activities before income tax expense				13,248

Half-year 2004	Nickel mining $'000	Exploration activities $'000	Inter-segment eliminations/ unallocated $'000	Consolidated $'000
Total segment revenue	44,906	-	-	44,906
Unallocated revenue				377
Revenue from ordinary activities				45,283
Segment result	22,276	(3,276)	-	19,000
Unallocated revenue less unallocated expenses				(1,137)
Profit from ordinary activities before income tax expense				17,863

Note 3. Equity securities issued

	Half-year		Half-year	
	2005	2004	**2005**	2004
	No. of Shares	No. of Shares		
Issues of ordinary shares during the half-year	**‘000**	‘000	**$’000**	$’000
Exercise of options issued under the Independence Group NL Employee Option Plan	**251**	1,000	**242**	347
Contributing shares paid up at 10 cents each	**1,610**	3,200	**163**	320
Listed options converted at 20 cents each	**-**	22,725	**-**	4,545
Unlisted options exercised at 45 cents each	**-**	1,750	**-**	788
Unlisted options exercised at $1.16 each	**62**	-	**72**	-
Unlisted options exercised at $1.33 each	**375**	-	**499**	-

Note 4. Other financial assets

	Half-year	
	2005	2004
	$‘000	$‘000s
CURRENT		
Forward foreign exchange contracts	**3,323**	18,656
NON-CURRENT		
Investment in listed entities	**6,008**	**-**

Note 5. Other information

(a) Reconciliation of retained profits

Balance at the beginning of the half-year	**28,286**	16,101
Adjustment to investment in listed entities	**(5,664)**	-
Net profit attributable to members of Independence Group NL	**9,292**	12,153
Total available for appropriation	**31,914**	28,254
Dividends paid during the half-year	**(5,531)**	(5,391)
Balance at the end of the half-year	**26,383**	22,863

(b) Dividends paid on ordinary shares

Dividends paid during the half-year (5 cents per share fully franked)	**5,531**	5,391

(c) Other financial liabilities (current)

Futures commodity contracts	**12,506**	-

(d) Reserves

Share-based payment reserve	**1,228**	662
Hedged instruments reserve	**(6,429)**	-
	(5,201)	662

Note 6. Subsequent events

As of 28 February 2006 the market value of the investment in Matrix Metals Limited was $7,560,000 which represents an increase of $1,566,000 from 31 December 2005.

During January 2006 the Company entered forward contracts to hedge 2,100 nickel tonnes at an average price of A$18,211 per tonne. The Company had a total of 6,822 nickel tonnes at an average price of A$16,944 per tonne hedged (subsequent to the contracts placed in January 2006 and prior to January 2006 deliveries).

During January 2006 the Company acquired a jumbo drill rig valued at $1,382,484 under a hire purchase contract, payable over 3 years.

Note 7. Contingent liabilities

There have been no changes in contingent liabilities since the last annual reporting date.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 6 to 17:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(b) give a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and

(b) there are reasonable grounds to believe that Independence Group NL will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

C M Bonwick
Director

Perth
8 March 2006

Chartered Accountants
& Advisers

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INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF INDEPENDENCE GROUP NL

Scope

We have reviewed the financial report comprising the Income Statement, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity, accompanying notes and Directors' Declaration of Independence Group NL for the half-year ended 31 December 2005. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the disclosing entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Independence Group NL is not in accordance with:

(a) the Corporations Act 2001, including:

 (i) giving a true and fair view of the disclosing entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and

 (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

BDO
Chartered Accountants

B. McVeigh

BG McVeigh
Partner

Perth, Western Australia
Dated this 8th day of March 2006