NUSTAR
MINING CORPORATION LIMITED

ACTIVITIES REPORT

Three months to 30 June 2005

Enquiries regarding this report may be directed to:

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NuStar Mining Corporation Limited is a dedicated gold company listed on the Australian Stock Exchange – ticker symbol **NMC**.

Dollar values in this report are Australian Dollars unless otherwise stated.

www.nustarmining.com.au

OVERVIEW

Paulsens Operations

- Gold production commenced – 6,915 ounces recovered in the month of June
- June budget exceeded for tonnes mined, tonnes treated, head grade and metallurgical recovery
- Final construction capital expenditure within budget at $30.7 million
- Plant performance exceeds design
- Stoping commenced
- Paulsens General Manager appointed

Exploration

- Tenement holding expanded through new Joint Venture agreement

Finance

- Final drawdown of the Westpac project finance facility, taking project debt to $27.3 million
- Cost overrun facility not required and cancelled
- Zero premium options on 58,000 ounces of gold replaced with flat forward hedges

Corporate

- Strata Mining Corporation and associates divest majority of share holding
- Unmarketable parcel sweep instigated

Brett Lambert
Chief Executive Officer

19 July 2005

MANAGEMENT DISCUSSION AND ANALYSIS

Paulsens Operations

Mining

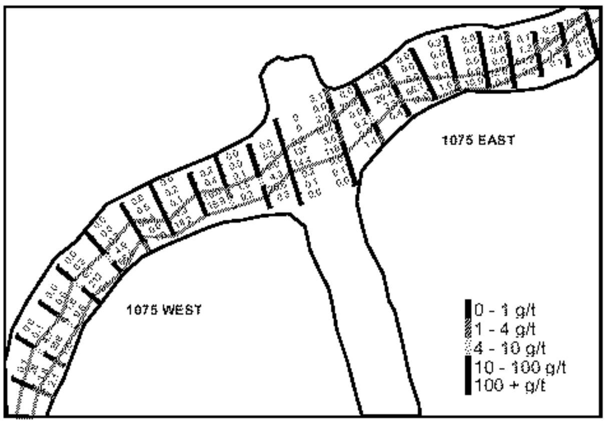
During the quarter 1,058 metres of lateral development were completed, comfortably surpassing target and the previous best performance. Priority was placed on ore body access development and ore strike driving. Development in ore totaled 628 metres.

Mine development

	3 months to 30 June 2005 (metres)	12 months to 30 June 2005 (metres)
Decline	15	918
Level	312	786
Raise	16	294
Strike driving	730	1,058
Total	**1,073**	**3,056**

Access was provided to the Lower Zone of the orebody on the 1060 mRL, 1052 mRL, 1045 mRL and 1037 mRL levels. Strike driving on the Lower Zone is now underway on six levels, which will supply the majority of ore scheduled for processing in the current financial year.

The ore body has closely conformed to expectations with good continuity along strike. Grade variability has been notable, however, with very high grade assays regularly identified within more moderate grade material.



Face grade plan – Lower Zone 1075 level

The Upper Zone of the ore body was exposed for the first time on the 1080 mRL level. Upper Zone gold mineralization is associated with broad areas of massive sulphide, which is consistent with the resource model.

Development face – Upper Zone 1080 level

All ore production to date has been generated from development. The grade assigned to development ore is based on face sampling each three metres of advance. In the Lower Zone, assays above 100 g/t are cut back to 100 g/t, a 70 g/t cut is applied to the Upper Zone.

The grade assigned to ore processed up to the end of June was 9.05 g/t. The grade determined by the mill for the same period based on bullion poured and gold measured in circuit was 10.09 g/t. However no adjustment has been made to the mine assigned grade with unreconciled figures reported.

Ore mined (unreconciled)

	3 months to 30 June 2005	12 months to 30 June 2005
Tonnes	35,291	53,775
Grade	8.98 g/t	8.85 g/t
Contained gold	10,190 ounces	15,301 ounces

Stoping commenced on the Lower Zone 1075 mRL level in June. Initial stope blasting has performed well, the resulting excavation conforming to design with no indications of geotechnical instability. The first stope ore will be hauled to the surface and processed in July.

Ore production will ramp up in the September quarter as stope output increases. Grades are also expected to increase with the build up in stope production as stoping introduces less waste dilution than development.

Processing

Construction of the processing plant was completed in late May, with processing commencing on 22 May. Initially waste rock and low grade material were treated to avoid gold loss during commissioning. This material is included in the ore processed table below:

Ore processed	3 months* to 30 June 2005
Tonnes treated	24,316
Head grade	10.09 g/t
Recovery	93.6 %
Gold recovered	7,358 ounces
Gold poured	5,118 ounces

Since commissioning on May 22

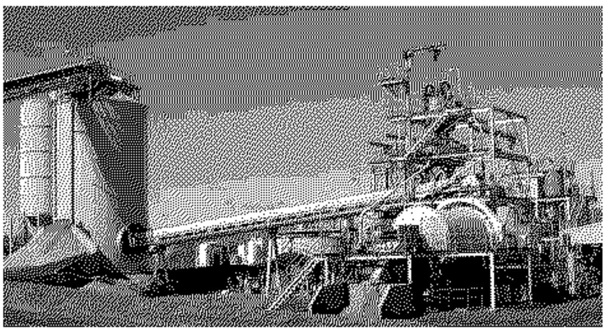
Feed to the mill was initially restricted due to mechanical problems with the contract crushing plant. The problems were resolved by replacement of the tertiary crusher and the crushing circuit is now operating satisfactorily.

Commissioning of the main plant proceeded smoothly with nameplate throughput achieved within the first week of operation.

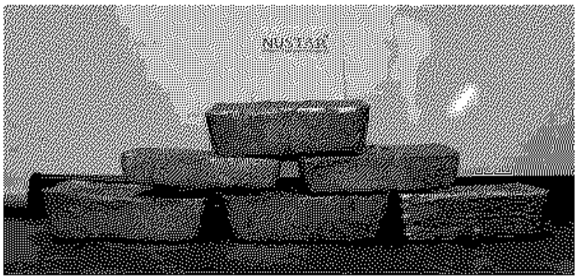
Metallurgically, the ore has performed very well with recovery exceeding forecast. Carbon gold loadings achieved to date are significantly above forecast, which has a positive impact on productivity and cost.

In the month of June 20,471 tonnes of ore were processed at a reconciled head grade of 11.20 g/t. Metallurgical recovery was 93.8 percent resulting in the recovery of 6,915 ounces of gold. Throughput, head grade and recovery all exceeded budget for the month.

At the end of the quarter 29,459 tonnes of ore remained in surface stockpiles. Approximately 1,000 ounces of gold were contained in circuit stocks with a further 1,250 ounces ready for smelting.



Fine ore storage and grinding circuit



Part of the gold bullion produced in June

Infrastructure

The fifth and sixth generators were delivered to site and installed, taking the power station up to full capacity.

Following environmental approval, upgrading of the airstrip at Wyloo Station, approximately 15 kilometres from Paulsens, commenced. Under an agreement with the station owners NuStar can transport its fly in/fly out workforce via Wyloo for the life of mining operations. Significant improvements in efficiency will result compared to the current practice of commuting via Paraburdoo.

Capital expenditure and cash costs

Capital expenditure of $5.6 million was incurred during the quarter. Total capital expenditure for the eleven months to the end of May, when the project was deemed to be in production, was $30.7 million, within the forecast preproduction capital spend of $31.1 million.

In general, all costs incurred after May, excluding ongoing mine development, have been expensed. As expected in the first month of operations, one off costs associated with commissioning resulted in above average cash operating costs in June of A$366 per ounce. This excludes royalties and refining costs of A$12 per ounce. As previously announced, the forecast average life of mine site cash costs from 1 July 2005 remain unchanged at $A345 per ounce.

Executive appointment

Mr Rod Jacobs has been appointed General Manager, Paulsens Gold Mine, effective August 2005. Rod is a mining engineer with twenty years resource industry experience including several senior management roles. He is currently General Manager of Croesus Mining's Central Norseman Operations.

Rod will take over from Garry Mills who has project managed the Paulsens development since April 2004. The Company congratulates Garry on his achievements at Paulsens and thanks him for his significant contribution.

Exploration

Field work

Field activity was limited during the quarter as facilities at Paulsens were fully utilized to accommodate the construction workforce and incoming operational staff.

Soil geochemistry programmes were conducted at Miningee Bore, Snakewood Well and Woolshed. Rock chip sampling programmes were carried out at Amazon, Paulsens West, Belvedere and Snakewood Well.

The target at Snakewood Well is the Upper Wyloo-Lower Ashburton Formation contact, marked by a zone of jaspillitic chert and carbonate iron formation. The zone has returned significant drilling results at Woolshed Prospect and is the setting for both the historic Silent Sisters and Aerial mines. The unit varies from 5 to 50 metres width and is exposed at several locations.

Rock chip sampling programmes at Amazon and Paulsens West targeted quartz veining hosted by sheared basalt. Elevated lead and zinc values were returned, but gold values were not significant.

Soil sampling at Miningee Bore returned anomalous gold and arsenic values associated with a northeast-southwest structure hosted by dolomite. RAB drilling will be undertaken to appraise the anomaly.

Results for the remaining geochemistry programmes are awaited.

In the September quarter, auger drilling is planned to test a number of zones that are shielded by recent alluvial cover. Additional geochemistry programmes will be conducted with particular focus on Three Corner Bore, DeCourcy and untested areas within the Hardey Junction joint venture tenements.

Regional tenement development

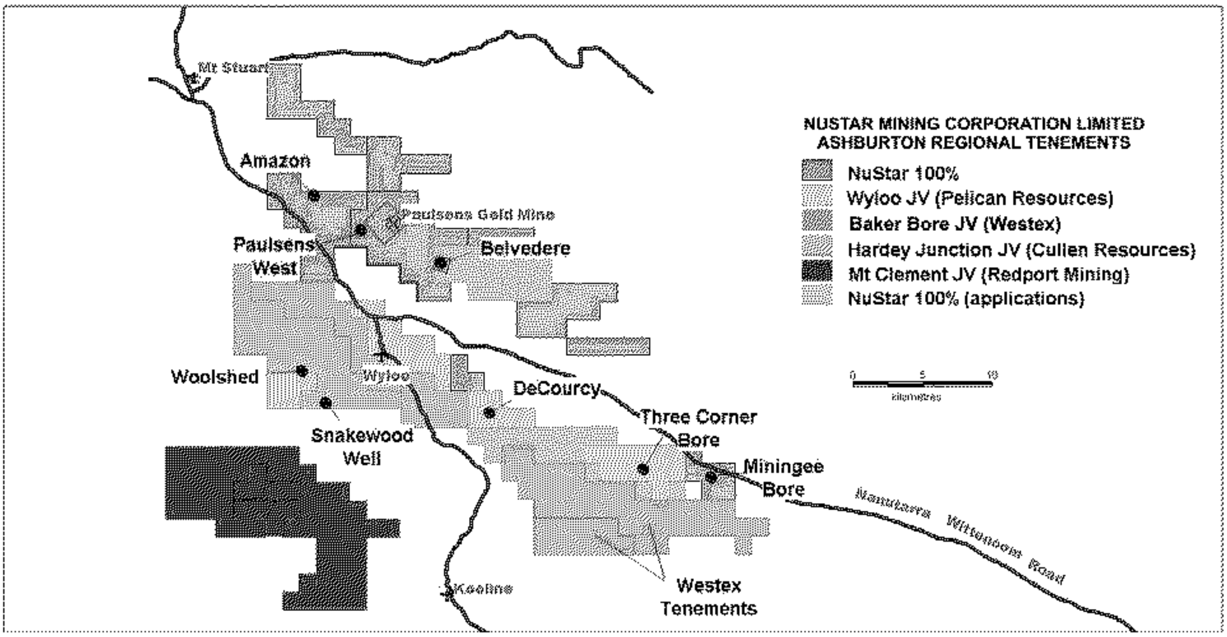
During the quarter, agreement was reached with Westex Resources Pty Ltd whereby NuStar can earn an 85 percent interest in Exploration License applications E08/1174 and E08/1484. The joint venture will be known as the Baker Bore Joint Venture and remains subject to the execution of formal documentation.

The Baker Bore tenements are located approximately 35 km south-east of Paulsens and being in close proximity to the highway are readily accessible from the mine. Their acquisition will further extend NuStar's control over the prospective Lower Wyloo formation.

The new joint venture contributes to NuStar's strategy of further strengthening its regional tenement portfolio by expanding control over areas of high prospectivity and exiting ground that does not meet the Company's value criteria.

Staff

Additional exploration staff were recruited during the quarter to bring the exploration crew up to full operational strength. The Exploration Department now comprises three geologists and three experienced field assistants.
A permanently manned field office has operated since early June.



Finance

The Company generated inaugural revenue of $2.9 million from gold sales in June of 5,118 ounces. All gold was sold into the spot market with an average price received of $568.67 per ounce.

The Westpac project finance facility was drawn down by $7.3 million to fund pre-production capital expenditure at Paulsens. At completion the facility was drawn to $27.3 million.

The capital overrun facility was not utilized and was cancelled by the Company.

The Company retains access to a $3 million revolving credit facility, which to date is undrawn.

Cash on hand at 30 June 2005 was $0.9 million.

During the quarter the Company converted zero premium options held over 58,000 ounces of gold into flat forward hedges.

The conversion was initiated to maintain financial reporting clarity by eliminating uncertainty in relation to the treatment of options under International Financial Reporting Standards (IFRS) which took effect on 1 July 2005. Flat forward contracts are considered an effective hedge under IFRS.

The cancelled options had a floor of $609 per ounce and a cap of $650. The new flat forward hedges secure a price of $622.90 per ounce.

The total number of ounces hedged remains unchanged at 173,000, representing 45 percent of initial planned production. The average price secured has increased to $626.62 per ounce.

In line with the original schedule, gold will be delivered into the hedges from July 2005 through to December 2008.

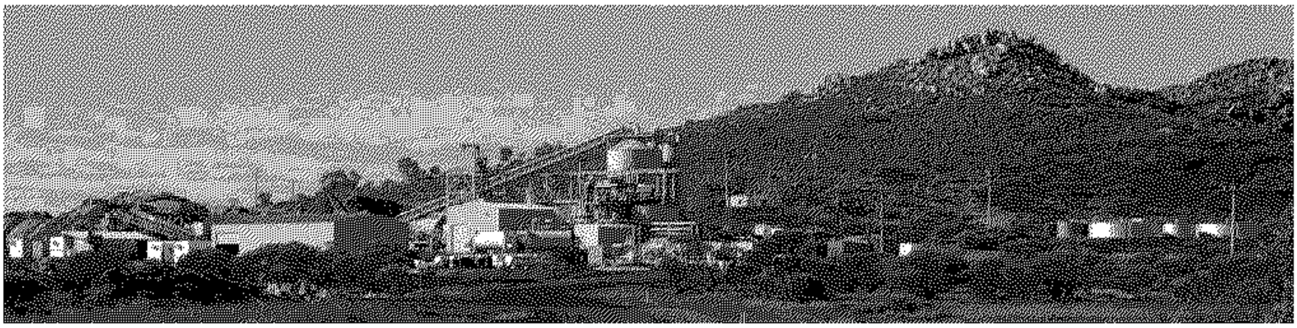
All hedge facilities have been provided by Westpac Banking Corporation.

Corporate

Strata Mining Corporation Limited and its associates reduced their shareholding in the Company from 17.9 percent to 8.4 percent.

Institutional investor Mathews Capital increased its shareholding in NuStar from 8.2 percent to 9.4 percent.

The Company commenced an unmarketable parcel sweep aimed at reducing administrative and share registry costs.



CORPORATE INFORMATION

Directors and Executive Management

C. G. Jackson .... Chairman
K. A. Dundo .... Non-Executive Director
T. J. Ireland .... Non-Executive Director
J. J. den Dryver ...... Non-Executive Director
B. Lambert... .... Chief Executive Officer
D. Humphry .... Company Secretary and Chief Financial Officer
E. Norum .... Exploration Manager
R. Jacobs .... General Manager, Paulsens

Registered Office

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Stock Exchange Listing

Australian Stock Exchange
Ticker Symbol: NMC

Issued Capital

As at the date of this report, issued capital is 989,925,636 shares.

Substantial Shareholders

Sedimentary Holdings Limited 18.1%
Mathews Capital Partners 9.4%
Strata Mining Corporation 8.4%
SG Hiscock 7.1%
St Barbara Mines Limited 6.4%

Shareholder Enquiries

Matters related to shares held, change of address and tax file numbers should be directed to:

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110 Stirling Highway
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Telephone .... +61 8 9389 8033
Facsimile .... +61 8 9389 7871